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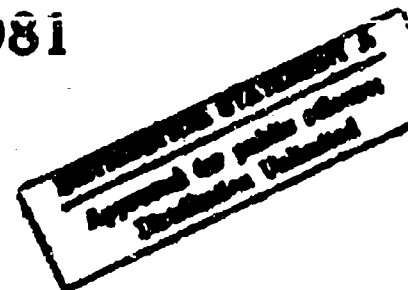
DEPARTMENT OF DEFENSE



ACQUISITION IMPROVEMENT TASK FORCE

DECEMBER 23, 1981

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OFFICE OF THE UNDER SECRETARY OF DEFENSE

WASHINGTON D C 20301

25 January 1982

RESEARCH AND
ENGINEERING

As you already know, a major objective of this Administration is to make substantial improvements in the acquisition process within the Department of Defense.

When the Department developed the 32 initiatives which comprise the Acquisition Improvement Program last April, we solicited the advice of individuals familiar with all aspects of the procurement system from both within and without government. We would like to encourage your continued participation in improving our management of the acquisition process.

The attached document represents a high-level review of our progress after six months. We have gone a long way toward our stated objectives, but have met some barriers. We believe that this Report identifies those barriers in a manner which will allow us to overcome them.

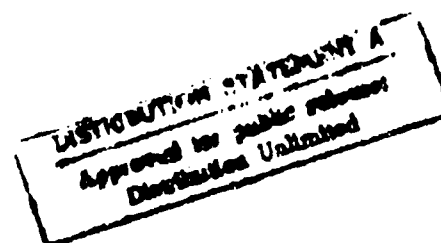
Deputy Secretary Frank C. Carlucci has directed that the permanent Acquisition Improvement Steering Group be charged both with monitoring progress and taking appropriate actions to assure rapid implementation of the initiatives. We welcome your continued comments and suggestions, and will give careful consideration to each. If you have any questions, my Executive Secretary of the Steering Group, Mr. Jim Wolbarsht, may be reached at (202) 695-1097.

I hope to have the chance to meet with as many of you as possible on a personal basis in the near future, and will also welcome your thoughts directly. Thank you again for your interest in acquisition management at the Department of Defense.

William A. Long

William A. Long
Deputy Under Secretary
(Acquisition Management)

Att.





OFFICE OF THE UNDER SECRETARY OF DEFENSE

WASHINGTON D C 20301

RESEARCH AND
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MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING

SUBJECT: Final Report of the Task Force on Acquisition Improvement

On November 17, the Deputy Secretary of Defense directed the Council on Integrity and Management Improvement to establish a Task Force on Acquisition Improvement. The Task Force was directed to conduct a comprehensive review of progress to date on the Acquisition Improvement Program, and to present an implementation plan. On November 19, the Under Secretary of Defense for Research and Engineering held the initial meeting of the Task Force members, with the DUSDRE (Acquisition Management) as chairman. A listing of the Task Force membership is attached. The Task Force was divided into four teams to review progress on each of the 32 initiatives, coordinating work throughout with the permanent action officers in OUSDRE, the Services and DLA and others as appropriate. The report, attached as Tabs 1-32, is submitted in accordance with these directions.

The purpose of this report is to: (a) provide a detailed description of what has been accomplished to date, (b) identify significant barriers to implementation, and (c) make specific recommendations to overcome those barriers and to achieve prompt implementation of the initiatives. The principal focus of the Task Force has been on "implementation."

The key theme of the Task Force has been "enhanced management" of the acquisition process. This means management with, for example, better planning, more effective competition, more realistic cost estimates, adequate and stable funding, more economic production rates, greater use of multiyear contracting and improved readiness and support. Application of these basic management improvements to any individual program requires increased near-term funding in order to make the overall program less costly. Hard choices are necessary to identify funding offsets. The magnitude of our current affordability and prioritization problems constitutes an underlying barrier to effective implementation. Yet, the scarcer the resources, the better we must manage not only with respect to acquisition, but in all aspects of DoD's national defense responsibilities.

The Defense Guidance for Fiscal Years 1984-88 must articulate this issue and take positive steps to solve the mismatch between requirements and resources if we expect to make acquisition improvements. Actions currently underway to reconcile defense strategy and available resources are of paramount importance.

Effective implementation also depends upon proper application of decentralized management to the overall acquisition process. SecDef guidance has stated that "responsibility, authority, and accountability" for programs should be at the lowest levels of the organization at which a total viewpoint of the program rests. However, varying interpretations concerning how this guidance should apply have created some uncertainty and misunderstanding. In order to have any real effect,

decentralization must result in establishment of the decision maker for each program at as low a level as practicable and reductions in the multiple reviews now held at each decision point. Some success has been achieved, for example, by reducing the number of major programs reviewed by the DSARC. Similar actions have been taken by the Services. However, although it may be a bit early with respect to many programs, the perception from program and field level managers is that not enough reduction in review requirements has occurred. We recognize there are significant problems inherent in the implementation of decentralized management in the context of a political environment which sometimes encourages centralized decision making. Nevertheless, the Task Force believes it necessary to increase emphasis on implementation of this principle, including taking the necessary steps to remove any misunderstanding or uncertainty.

Overall, the Task Force concluded that considerable effort has been expended and that meaningful progress has been made in implementing the Acquisition Improvement Program since its initiation on April 30, 1981. In some areas, however, accomplishments have been limited. Ultimately, success will depend upon the dedication of those who believe that the program can and will work. More visible results must be accumulated and utilized as an effective tool to convert those who remain skeptical. Those initiatives not clearly understood must be clarified. In addition, we must leave no doubt that we are serious and must make day-to-day decisions in greater conformity with the initiatives.

In addition to these general observations, there are specific areas which merit special attention.

Program Stability: A major portion of the ultimate success of the Acquisition Improvement Program can be directly related to the degree to which programs are stabilized. Although some progress has been made, significant problems remain.

To achieve greater program stability, we must also achieve a greater degree of stability in the Service "topline" budget guidance. Many factors influence the topline guidance including ones outside of DoD. If this guidance changes significantly during the year as programming and budgeting decisions are being made, each Service must continually make adjustments and rebalance its program. Greater stability in topline guidance will help substantially to alleviate the problem. This is a key element of the Acquisition Improvement Program and, because it is largely outside the control of the Services, the highest levels within the Department of Defense must address this matter on a continuing basis.

Effective implementation of the initiatives connected to stabilization requires their immediate incorporation into the planning process. The Fiscal Year 1984 Defense Guidance must reflect the thrust of the Acquisition Improvement Program. In the near future, OUSDRE and MRA&L will brief the Defense Resources Board on the mismatch between requirements and the resources in the Draft Guidance. Solutions must be found which are consistent with the Acquisition Improvement Program. Otherwise, problems are certain to arise in the Fiscal Year 1984 POMs and full implementation of the initiatives may be slowed.

Important procedural steps toward near-term stabilization such as improved guidance, a stable programs list, and a special Defense Resources Board meeting on new starts and economical production rates were implemented during the Fiscal Year 1983 program and budget review. But the outcome of some of these actions has been disappointing. The stable programs list, for example, is not yet definitive. Recognizing that not all programs can be "stable," nonetheless difficult choices with respect to matters such as vertical cuts will have to be made. Skepticism exists that OSD will or can execute a stable programs concept by providing the long-term commitment of funding at levels required to achieve stability even though this may inhibit flexibility.

Unforeseen reductions during development of the Fiscal Year 1983 budget contributed to destabilization of a number of acquisition programs. Some programs which had been restored to more economical production rates through the Fiscal Year 1981-82 Budget Amendment subsequently were proposed for cancellation, reduction, or stretchout in order to meet the new fiscal constraints. Follow-on action by the Defense Resources Board to restore economical production rates only partially compensated for the cutbacks. The balance between across-the-board responses to threats and program stability is difficult to strike, but unless we reduce the number of programs, and at the same time preserve the required funding for our "stable" programs, our Acquisition Improvement Program will not succeed.

The Defense Resources Board met recently to consider all of the "new start" major programs for Fiscal Year 1983. Eleven were approved, three were not approved, and two were restructured. The "new start" review is an important addition to the programming phase and should be retained for numerous reasons. Although care must be taken to review new starts from a variety of mission standpoints and not to overstate the linkage between new starts and program stability, there is some relationship between the two.

Multiyear Contracting: The Fiscal Year 1982 Authorization Act approved three programs for 1982 multiyear contracts (C2A, F-16, and AN/TRC-170). The Fiscal Year 1983 budget submission will include additional candidates. While the Secretary of Defense requires production and advance procurement to be fully funded for FY 1982, economic order quantity (EOQ) purchases are funded to termination liability out of a special multiyear contracting increment to TOA.

Nevertheless, due in part to the inherent tension between the desire for savings and the need for flexibility, formidable barriers remain to wider implementation of the multiyear concept. In addition, the Services do not believe that TOA requirements in excess of the "annual buy" TOA are special additions to TOA added by OSD. In other words, the Services believe that such additional TOA should be available to the Services for other programs if not committed to multiyear programs. The Task Force, therefore, recommends clarification of this issue and that alternative funding concepts which require less front-end funding be considered in the Fiscal Year 1984 Guidance.

Preplanned Product Improvement: Initial progress has been made in implementing the Preplanned Product Improvement Initiative (P³I). A P³I implementation plan has been issued to the Services and a list of candidate

systems has been received. The Task Force, however, could not identify a DSARC milestone review or program review which has considered a P³I alternative since initiation of the Acquisition Improvement Program in April. Further, the Task Force could not identify an instance in which a program has been reduced in scope with a view toward future enhancement via a P³I approach.

The Fiscal Year 1984 POMs should be reviewed to ensure that all P³I candidates and their funding alternatives are clearly identified.

Cost Growth: Despite some initial steps, controlling cost growth (both real and perceived) remains a major problem. The solution must include more realistic estimates accurately reflecting future costs and difficult choices to reduce requirements when costs grow. The November 20 Defense Resources Board decision which requires the Services to explicitly choose between the program manager's estimate and independent ones while explaining the choice is a useful step. The direction that the Assistant Secretary (Comptroller) and the CAIG (Cost Analysis Improvement Group) ensure that cost estimates reflect assessed risk is also a step forward. But until agreement is reached with the Office of Management and Budget on budgeting for inflation more realistically, unbudgeted inflation will continue to generate massive program instability and perceived cost growth. Although initial discussions have been held with OMB, the Task Force recommends that the Department continue its strong position on this issue and aggressively pursue the matter further. In addition, little has been accomplished with respect to the incentives called for in the 30 April 1981 Memorandum on this element of the Acquisition Improvement Program.

Improving Support and Readiness: As directed by DepSecDef in his memorandum dated June 13, initial steps have been taken to improve support and readiness, but lack of priority by management has hindered implementation. Programs continue to be structured to give precedence to acquisition cost, schedule or performance objectives, while support and readiness are left to be accommodated within these program constraints. Major programs continue to reach DSARC reviews without well-defined and consistent reliability, readiness and support objectives, or the resources to achieve them. The Task Force recommends as an agenda item for each DSARC milestone or program review, an assessment of readiness objectives, the risks in achieving them, options to reduce the risk, and the test and evaluation efforts to provide verification of support and readiness. The Milestone I review should address acquisition strategy including front-end funding, contractor incentives, design and supportability tradeoffs, test and evaluation plans, and alternative schedule and funding approaches and their effect on readiness achievement. Resultant contracts should also be assessed to determine whether support and readiness have been given appropriate priority vis-a-vis cost and schedule considerations.

Competition: Several important steps toward making more effective use of competition have been taken, and others are ongoing. In response to the DepSecDef memorandum of July 27, the Services and the Defense agencies have submitted management objectives to increase the benefits of competition. Additional plans with specific management actions are due to OUSDRE in January. An outside study to be completed next June will focus on optimum program/commodity opportunities for increased competition. On the other hand, program reviews conducted in recent months have shown graphically that the extra

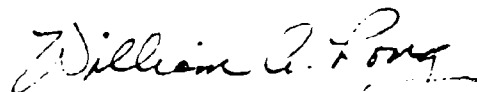
near-term costs of maintaining an additional contractor in the process are a real barrier to sustained competition in system development. Continued monitoring and assessment of progress will be required to determine the overall effectiveness of this initiative.

The Task Force Reports on each initiative identify specific barriers to implementation and propose actions intended to overcome those barriers. The single largest barrier to implementation at this juncture is the assumption that complete implementation can occur without extraordinary management action on a systematic, or systems, approach. We must start to view the initiatives as an integrated, comprehensive package or program and decision makers must demonstratively act in accord with the principles of the Acquisition Improvement Program. Individual responsibility for application of the concepts in day-to-day decision making must be stressed. The policies of the improvement program are clear. They were enunciated in the April 30 memorandum and will be restated in part in the soon to be issued DoD Directive 5000.1. Derivative directives and instructions must reemphasize both the systems approach and individual responsibility for implementation. But in addition to this channel of communication, we recommend that an ongoing team assume responsibility for implementation. Specifically, we recommend that the Acquisition Improvement Steering Group, which existed before this Task Force was chartered, be continued. The Steering Group is comprised of the Service and OSD offices most directly involved with implementation and is, therefore, able to focus broad management attention on the key issues.

We recommend you accept this report as responsive to the Task Force charter. We also recommend that the Steering Group proceed with the task of implementing the specific ideas contained in, and resolving remaining issues identified in, the report as well as conduct an intensified effort to reconcile PPBS and programmatic decisions with the objectives of the Acquisition Improvement Program. Action-oriented working groups under the auspices of the Steering Group should be created, as necessary, to aid this effort. We must, for example, continue to focus attention on the need for program stability and other management principles which represent a basic cultural change in contemporary attitudes toward decision making.

As is the case with any multi-faceted program, there are a small number of especially critical elements to the Acquisition Improvement Program, which in this instance, include the elements specifically referred to above. These critical elements deserve special emphasis by the Steering Group. Of particular importance, however, is sustained management emphasis on these elements, and others requiring involvement of offices outside the Department, at all levels within the Department of Defense.

Even though a Steering Group may be charged to direct overall implementation of the improvement program, final responsibility ultimately lies with the decision-maker(s). Each decision-maker who impacts programs should ensure that his actions are consistent with the objectives of the improvement program. This idea must be foremost in mind. After having institutionalized the actions identified by the Task Force, our emphasis should shift to more qualitative assessments to determine and measure meaningful improvement in the DoD acquisition process,



WILLIAM A. LONG
DEPUTY UNDER SECRETARY
(ACQUISITION MANAGEMENT)

Attachments

TASK FORCE ON ACQUISITION IMPROVEMENT

Chairman: William A. Long
Deputy Under Secretary of Defense
(Acquisition Management)

Members:	Army	LTG J. H. Merryman, USA Deputy Chief of Staff for Research, Development and Acquisition
	Navy	VADM R. R. Monroe, USN Director of Research, Development, Test and Evaluation
	Air Force	Mr. J. E. Williams Deputy Assistant Secretary Acquisition Management
	DLA	BG C. F. Drenz, USA Deputy Director Acquisition Management
	ATSD(R&O)	Mr. J. W. Melchner Deputy Assistant to the Secretary of Defense (R&O)
	ASD(MRA&L)	Dr. R. D. Webster Deputy Assistant Secretary Logistics and Material Management
	OSD(C)	Mr. J. T. Kammerer Director of Special Projects
	DPA&E	Mr. T. P. Christie Deputy Director General Purpose Programs
Advisors:	OSD(GC)	Mr. D. Trosch Assistant General Counsel Logistics
	OSD(LA)	BG B. R. Harris, USA Deputy Assistant Secretary Plans and Operations
	OUSDRE	RADM I. Linder, USN (Ret.) Director, Defense Test and Evaluation
	DPA&E	Mr. M. A. Margolis Deputy Director Resource Analysis

(continued)

Advisors (Cont.): OUSDRE

Dr. P. J. Berenson
Special Assistant for
Assessment

Executive Secretary: OUSDRE

Mr. J. L. Wolbarsht

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 1. Title: Management Principles

Task Force Principals: BG C. F. Drenz, USA & Mr. T. P. Christie

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

"...the Deputy Secretary of Defense reaffirm the ...major acquisition management principles. . . ."

ACCOMPLISHMENTS TO DATE:

DepSecDef signed 30 April 1981 memorandum to Military Departments, JCS, and OSD staff reaffirming the management principles in Initiative No. 1. DepSecDef signed a second memorandum, 27 July 1981, to all the preceding offices plus the Defense Agencies reaffirming the need for increased competition in the acquisition process. DepSecDef has made statements in testimony before the House and Senate reaffirming the management principles. These principles are also included in the first draft of the DoD Annual Report to Congress. See Enclosure 1 for specifics of follow-on Service/Agency implementation.

BARRIERS TO IMPLEMENTATION:

1. Although Services/Agencies have been able to take actions to publicize the initiatives and urge "hands-on" personnel to support them, full implementation (i.e., institutionalization) through publication of Service/Agency instructions is held up pending publication of DoDD 5000.1 and DoDI 5000.2. These documents are currently being staffed within DoD. Publication of DoDD 5000.1 is expected by the end of December 1981; DoDI 5000.2 should be ready for publication by 1 March 1982.

2. Full implementation of changes required to enhance the planning process and the issuance of Defense Guidance is being delayed by difficulties encountered (for various reasons) by the Defense Resources Board (DRB) members in making a full examination of major planning issues at the first decision session on the Defense Guidance. Subsequent meetings to resolve difficult issues are planned. The goal for Defense Guidance issuance remains 22 January 1982.

3. Although much progress has been made in disseminating the management initiatives, only action and example at the highest levels will emphasize our real commitment to their implementation. DRB and DSARC members must consider each programmatic and budgetary action in terms of the initiatives and act accordingly. Failure to do so will negate all other efforts.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

Responsibility has been assigned for implementation of remaining actions, both those which are dependent on publication of DoDD 5000.1 and DoDI 5000.2, and those which are not. See Enclosure 2.

ACCOMPLISHMENTS TO DATE

1. Actions common to all Services:

- a. Disseminated initiatives to subordinate commands for action.
- b. Emphasized initiatives through briefings to acquisition commands/managers.

2. Defense Systems Management College (DSMC) actions:

- a. Incorporated principles into curriculum; currently teaching in appropriate classes.
- b. Provided 30 April 1981 DepSecDef memo to each student.
- c. Provided students with briefing package on initiatives for use at home stations.

d. Submitted article on the initiatives to "Concepts" magazine, which is distributed to all Project Managers and other appropriate acquisition personnel. Publication expected in December 1981.

e. Presented briefings on the initiatives to personnel in Services' acquisition headquarters and field activities, other government agencies, and industrial and professional associations.

3. Actions on paragraph 1 of Initiative No. 1 concerning improved Defense Guidance:

a. Established an independent group at the National War College to explore innovative concepts for application across the full spectrum of Defense Department organization, strategy, and forces. This group will provide advice to SecDef/DepSecDef who will decide what further development should be taken.

b. Changed the planning process significantly to incorporate a major DRB review of DoD policy, strategy, and options prior to issuance of Defense Guidance (DG). The new goal is to issue the DG in late January, about two months earlier than was done in recent prior years, to permit fuller reflection of long-range planning concerns in the Service POMs.

INIT 1
Encl 1

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION

The offices/individuals indicated are responsible for implementation of the actions shown below. Overall responsibility for monitoring Initiative No. 1 will be carried out by OUSDRE(AM).

<u>Action</u>	<u>Target Date</u>	<u>Responsible Office</u>
1. Incorporate the acquisition management principles in the draft Defense Guidance.	16 Dec 81	DPA&E
2. Put up-front policy declaration in DoDD 5000.1 listing the management principles and stating that these are the basic DoD acquisition principles for adherence by all activities.	31 Dec 81	OUSDRE(AM)
3. Publish DoDD 5000.1	31 Dec 81	OUSDRE(AM)
4. Publish DoDI 5000.2	1 Mar 82	OUSDRE(AM)
5. As an Information Item in a Defense Acquisition Circular (the process by which changes to the DAR and related important information are distributed), publish the 30 Apr 81 DepSecDef memo, subj: Improving the Acquisition Process. This will inform contracting officers and acquisition personnel at the operating level of the thrust of the acquisition management principles.	15 Feb 82	OUSDRE(AM)
6. Publication of Service/Agency regulations implementing DoDD 5000.1:		
a. Ensure that subordinate activities publishing acquisition regulations review management principles for inclusion in their publications, determine changes required to align their publications with the management principles, and publish revised regulations by D+120. Report status to OUSDRE(AM) by D+120; continue to submit status reports until action is completed (reporting mechanism indicated below in Action #8 may be used.)	D+120*	Services, Agencies
b. Review reports for suitability of progress; initiate corrective action where appropriate.	D+120* monthly until completion	OUSDRE(AM)

<u>Action</u>	<u>Target Date</u>	<u>Responsible Office</u>
7. Request that schools/colleges responsible for acquisition related instruction incorporate the management principles in their curricula and report actions taken to initiative monitor.	D+30*	Services, DSMC
8. Organizations responsible for acquisition activities were previously required to implement the principles in the near term, to the extent possible, pending publication of DoD or Service directives/instructions, DAR, etc. Reports were required of scheduled actions and accomplishments. Continuing actions required:		
a. Continue to submit monthly reports of accomplishments/problems.	Monthly	Services
b. Review reports for suitability of progress; initiate corrective action where appropriate.	Monthly	OUSDRE(AM)
9. Prepare video tape outlining the management principles and make it available to the Services/Agencies for continuing orientation of new acquisition personnel.	Mar 82	DSMC
10. Publish a special issue of "Concepts" magazine providing detailed information on those 10-15 initiatives that program office personnel should consider in preparing their acquisition strategies.	Mar 82	DSMC
11. Reassess the status of implementation of Initiative No. 1 after one year and take appropriate action.	Jan 83	OUSDRE(AM)
12. DSARC and DRB members examine and decide each programmatic and budgetary action in terms of the management principles.	Continuing	DepSecDef

* For Target Dates shown as "D+" a number of days, "D-Day" is the date of publication for DoDD 5000.1.

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ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 2. Title: Pre Planned Product Improvement (P³I)

Task Force Principals: LTG J. H. Merryman, USA & Mr. J. W. Melchner

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

1. USDRE, working with the Services, develop within 30 days a plan for implementing Preplanned Product Improvement including definitions and criteria for application.
2. USDRE request the services to evaluate ongoing programs to determine potential for payoff from the application of Preplanned Product Improvement, and to present results at the next DSARC.
3. USDRE assure Services have fixed the responsibility for review of opportunities for product improvement after any system reaches the field, and to develop a product improvement plan.

ACCOMPLISHMENTS TO DATE:

1. P³I implementation plan (6 Jul 81) developed and issued to Services.
2. Services have established focal points at HQs level and provided OUSDRE with list of candidate systems.
3. Changes to DoDD 5000.1/DoDI 5000.2 have been developed and are being coordinated. OSD will attempt to alleviate inconsistencies between the directives and the implementation plan.
4. Services have identified Service Regulation changes needed for implementation.
5. The Services have taken steps to identify specific funding requirements in the FY 84-88 program development process.

BARRIERS TO IMPLEMENTATION:

1. Question of emphasis: P³I is presently regarded as requiring more early funds for incorporation of provisions for future changes. What is completely missed is that P³I should reduce initial system costs, because the more advanced capabilities have been deferred to future improvements. The most significant barrier is lack of understanding and acceptance of this view.

2. Question of definition: P³I vs Product Improvement Program (PIP) - relationship/visibility. The Services need a clear position on what is included in the term P³I. The stated definition could possibly be used to describe every change that comes along. Does the initiative really mean Pre Planned? Specific criteria for changes need to be developed so that each of the Services understands the initiative's purpose and intent. The Implementing Instructions of 6 July 81 have created some confusion in that each of the Services has a different interpretation of where P³I should be applied and whether or not it overlaps their established PIPs.

3. The Implementation Plan requested a list of P³I Candidate Systems. Reason - to let Industry know where the Services are heading. Presently the AITF feels providing a list or lists to Industry is premature. The Services need to focus actions or we will be guilty of sending out false signals to Industry.

4. Question of execution: During current budget review, OSD staff occasionally seemed unaware of - or violated - precept of this initiative.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

Recognizing that P³I is on schedule, a number of steps must be accomplished for P³I to succeed.

a. OSD must recognize the different management practices of each of the Services with regard to PIPs.

b. Reemphasize the reference point of reducing risk and reducing dollars. (This will be done in Defense Guidance.)

c. The Services will develop an education plan to create an atmosphere where P³I is accepted by the user as well as the developer.

d. In order to institutionalize P³I, each of the Services should continue to develop a decentralized structure for implementation. Report results to USDRE by 1 Mar 82.

e. OSD will incorporate P³I position into Defense Guidance.

f. OSD should define P³I to include specific criteria necessary for a P³I initiative.

g. Do not release candidate list at this time. Additional guidance on criteria for P³I initiative is required.

h. DepSecDef issue strong guidance on P³I to OSD staff.

i. The Services must move smartly to make the FY 84 POM, since P³I must be implemented through the PPES.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 3. Title: Multiyear Procurement (MYP)

Task Force Principals: Mr. J. E. Williams & Mr. J. T. Kammerer

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

1. General Counsel response to H.R. 745.
2. USDRE and ASD(C) to brief Appropriations and Armed Services Committees on procedures and concepts.
3. USDRE to prepare policy memorandum to Military Departments and request identification of FY 83 candidates.
4. USDRE modify DAR 1-322 as required: ASD(C) modify DODD 7200.4; USDRE and ASD(C) interface with OMB to modify budget circular A-11.
5. SecDef to present FY 83 budget containing multiyear candidates.

ACCOMPLISHMENTS TO DATE:

1. Completed 5 June 1981.
2. Completed April 1981.
3. Completed 1 May 1981.
4. The DAR Council established a subcommittee to revise DAR 1-322 and began its effort by 27 November 1981.
5. Multiyear candidates submitted to Congress with savings of about \$400 million. It appears the Congress will approve 3 of our candidates for FY 82 with savings totalling \$325 million. (C-2A, F-16, AN/TRC-170 radio). The FY 83 budget submission will include at least nine other candidates for multiyear, including the Defense Meteorological Satellite Program, the SM-1 missile, the NATO Seasparrow Ordalt and the Multiple Launch Rocket System.
6. FY 82 Authorization Act provides the Statutory base for enhanced use of multiyear procurement.
7. Services have briefed large numbers of Government and industry personnel on new DoD MYP policies and procedures.
8. The current DoD policy has been published, through budget decisions and otherwise, as follows: "While the Secretary of Defense requires production and advance procurement to be fully funded for FY 82, economic order quantity (EOQ) purchases are funded to termination liability from a special multiyear contracting increment to TOA."

BARRIERS TO IMPLEMENTATION:

1. The Military Departments perceive that the additional TOA provided by OSD for FY 83 is at the expense of their other valid requirements and this continues to be the most serious problem affecting wide-spread implementation.
2. The Appropriations Committees, OMB and the DOD Comptroller community (and the DepSecDef, to date,) have a preference for "full funding" (policy stated above) which, in the perception of many, ties up TOA when the possibility of cancellation or termination is remote.
3. Many in the acquisition communities in OSD, the Services and industry are of the opinion that, if we continue with MYP as presently directed, i.e., full funding, MYP initiatives beyond FY 83 will not be pursued.
4. Fluctuations in top-line TOA create much the same problems with multiyear procurement as with program stability (see Initiative No. 4 report).

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. USDRE revise DAR 1-322 as recommended by DAR Subcommittee.
2. ASD(C) revise DODD 7200.4 in January 1982 after the passage of legislation.
3. Services should consider other programs for FY 83.
4. The acquisition communities in the Services and OSD recommend that the SecDef, in consultation with USDRE, ASD(C), the Services and Congressional Committees, revisit existing policies and, in that connection, consider alternative funding concepts such as unfunded termination liability and incremental funding for MYP.
5. SecDef guidance for FY 84 POM should include policy on MYP.
6. Whatever the ultimate policy on multiyear may be, continued information and education of Service acquisition staffs on policy and actions to date in respect to multiyear procurement must be ongoing.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 4. Title: Program Stability

Task Force Principals: BG C. F. Drenz, USA & Mr. T. P. Christie

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

SecDef direct that during program and budget reviews by OSD (DRB) the Service Secretaries explain and justify differences between program baselines established at Milestone II and the quantity and funding in the program or budget under review.

ASD(C) and ASD(PA&E) include above direction in FY 83 POM and Budget Guidance.

ACCOMPLISHMENTS TO DATE:

1. Planning and programming guidance to the Services has emphasized program stability and termination of low priority programs. However, the results to date in developing the FY 82 and FY 83 Defense programs are not impressive.

2. Prior to the DepSecDef memorandum of April 30, 1981, the FY 81/82 Budget Amendment had restored stability to several programs that had been subjected to turbulence under the previous administration, e.g., the M-1 tank, Fighting Vehicle System, Patriot missile system, AH-64, HARM missile system, P-3C, AV-8B, A-6E, F-15, F-16, and A-10. For the most part, the Services continued their support for this initiative in their FY 83 POMs. The multiyear contracting initiatives proposed by the Services should also contribute to the stability of specific programs (e.g., F-16 production). More attention, however, needs to be devoted to stability of Research, Development, Test and Evaluation programs.

3. An USDR&E memorandum to the Services on the subject of Program Stability, dated July 31, 1981, requested the Services identify candidate programs for a DoD stable programs list and cancel or truncate other programs to fit the remaining requirements within budget constraints. The Services have made a major effort to respond to this initiative. For example, the Army has identified a number of programs with sufficient funding in FY 83-87 for program stability and has forwarded a list of 12 candidate programs to OSD for stable funding. Four of these are still under consideration: M-1 tank, Fighting Vehicle System, H-60 Blackhawk and CH-47D modification. The Navy also provided OSD with a list of programs proposed for stable funding; however, final action awaits the final FY 83 budget decision. The Navy did terminate some 32 projects in attempting to carry out this initiative. The Air Force provided OSD with 13 candidates for stable funding including the B-1, as well as eight programs that were cancelled or deferred during the POM development program.

4. As part of the 31 July request, the USDR&E placed particular emphasis on new system starts, and the OSD staff prepared issue papers recommending the cancellation of several new starts in order to provide resources for the stable funding of other programs. Care must be taken not to overstate the linkage between

new starts and program stability because a host of other factors are involved in each issue, and the two have only an indirect relationship to each other. These issue papers also served as a mechanism for consideration of new starts as a part of the PPBS process - another DepSecDef initiative in the April 30, 1981, memorandum. These "new start" issues have been brought, in one form or another before, the DRB several times during the FY 83 program and budget review. The outcome on these issues will depend on the final deliberations of the DRB on the FY 83 budget.

5. An unforeseen budget reduction during the development of the FY 83 program had a major impact on the progress made up to that point. Just prior to completion of the FY 83-87 program review in September 1981, reductions in the FY 82 request as well as planned funding in FY 83 through FY 84 resulted in perturbations in several procurement and R&D programs. In many cases the very programs that had been restored to previous levels in the FY 81/82 Budget Amendment were proposed by the Services for termination, reduction and/or stretchout.

6. The programming and budgeting process for calendar year 81 has not been completed. The FY 82 Defense Appropriation Bill has just been passed by the Congress, and the FY 83 budget review by the DRB is still underway at this time. Until this latter action is completed, a final assessment of the implementation of this initiative cannot be made.

BARRIERS TO IMPLEMENTATION:

1. The major barrier to implementation of this initiative has been continued fluctuation in the DoD budget. Even as the total DoD budget has gone up and down during this past year, it has been clear that even the higher levels have not been sufficient to fully fund all the programs deemed deserving of stable funding.

2. The Services, OSD and Congress have all been reluctant to cancel major lower priority programs in order to provide for fully funding others. Part of this reluctance--at least on the part of the Services and OSD, if not Congress--can be attributed to the lack, of agreement on which programs are of the highest priority and should therefore be stabilized.

3. Cost growth and technical problems continue to plague major acquisition programs. When programs are funded based on low cost estimates, budgeting for higher actual costs inevitably leads to program stretchout--both development and procurement--particularly in an environment of budget constraints. Likewise, unforeseen technical problems increase cost and schedule uncertainty resulting in further--and often unavoidable, yet adviseable--stretches in programs.

4. Another factor causing the Services, OSD and even Congress to embrace the concept of program stability with less than great enthusiasm is the desire to maintain some flexibility in the programming and budgeting cycle. This need for flexibility is based on a natural desire to be able to deal effectively in programming and budgeting with a rapidly changing environment - change in the threat, technological opportunities, budget fluctuations, economic perturbations, etc.

5. The tendency to postpone programming decisions until well into the budget process, or alternatively, to revisit programming issues during the budget process, also has an adverse effect on both procurement and R&D program stability.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. The Defense budget is always going to be subject to some fluctuation. To minimize the impact of those changes, however, it is important that future TOA projections be as realistic as possible. During the DRB reviews of the draft FY 84-88 Defense Guidance, now scheduled for 14 and 21 January 82, the DUSD(P) and ASD(C) should insure that both top-line and Service projections of future resource availabilities are realistic.

2. The most critical action needed is implementation of the first management principle reaffirmed in the DepSecDef memorandum of April 30, 81. The importance of Defense Guidance for FY 84-88, to be issued early 82, providing a clear and explicit statement of Defense policy regarding strategy and the resources required to accomplish that strategy is well recognized. Within the bounds of this strategy, programs of highest priority must then be stabilized. The lists of candidate programs for stabilization previously submitted by the Services, augmented with OSD staff proposals, could serve as a starting point for the development of such guidance. The OSD staff should pay particular attention to stabilizing those high priority programs that involve the participation of two or more Services.

3. Better control of cost growth will require the use of more realistic estimates of cost on the part of managers at all levels, and better estimates of inflation. The USDFE, in conjunction with the Services, should continue to improve the methods used in predicting technical risk.

4. The desire for maximum flexibility is a management fact of life. This aspect of the stability problem can be minimized only to the extent that frequent and large fluctuations in guidance (strategy, forces, resource availability, inflation indices, etc.) can be avoided, as discussed above.

5. During the program and budget review processes, the DepSecDef must insure that decisions are neither delayed, nor re-visited.

6. The steering groups should continue to give the highest level of attention to this initiative, including the continued development of the stable programs list--both as to its meaning and consequences--with the objective of upgrading program stability at all levels.

7. Successful implementation of this initiative is also dependent on the effective implementation of several other initiatives, particularly: (3) Multiyear Procurement; (6) Budget to Most Likely Costs; (12) Front End Funding for Test Hardware; and (18) Budgeting for Inflation.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 5. Title: Encourage Capital Investment to Enhance Productivity

Task Force Principals: BG C. F. Drenz, USA & Mr. T. P. Christie

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

USDRE should have the prime responsibility to implement the following actions working closely with General Counsel, Legislative Affairs, and the Service Material Commands. (There are eight "following actions". These are listed separately in the attached items 5a-5h.)

ACCOMPLISHMENTS TO DATE:

Specific results on each subinitiative are shown in items 5a-5h.

BARRIERS TO IMPLEMENTATION:

Barriers to implementing subinitiatives are shown in items 5a-5h.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

Implementation plans for each subinitiative are shown in items 5a-5h.

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

General Counsel should support legislative initiatives to permit more rapid capital equipment depreciation and to recognize replacement depreciation costs by amending or repealing Cost Accounting Standard (CAS) 409, "Depreciation of Tangible Assets."

ACCOMPLISHMENTS TO DATE:

1. OMB is currently staffing (internally) its legislative package transferring the CAS function to OMB.
2. OMB has been verbally assured by USDRE(AM) of DoD support for proposed legislation to transfer CAS. DoD previously provided OMB with draft proposed legislation to this effect.
3. Joint Logistics Commanders supported change to CAS 409 in a 9 October 1981 letter to the Deputy Secretary of Defense and requested DepSecDef assistance in implementing this subinitiative.

BARRIERS TO IMPLEMENTATION:

1. Industry may oppose the extent of CAS authority being transferred to OMB.
2. Increase in costs chargeable to defense contracts (Comptroller General Bowsher, Congressional testimony).
3. Inconsistency of accelerated depreciation methods with generally accepted accounting principles (Director, Defense Contract Audit Agency in memorandum to USDRE(AM)).
4. Revisions to or repeal of CAS 409 will impact other standards. Extent of impact unknown without input from Government agencies, Industry, and academia.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. If OMB legislative proposal is not submitted to Congress by the end of December 1981, USDRE(AM) should advise the Director, Office of Federal Procurement Policy (in writing) of high level DoD interest in the transfer of the CAS function to OMB. USDRE(AM) should also urge immediate submission of the OMB legislative package on CAS for Congressional action.
2. USDRE(AM) should continue support for OMB proposal once it is submitted to Congress. This support should include testimony before the Banking, Housing & Urban Affairs Committee. Committee expected to take action by late Spring 1982.

3. By February 1982, USDRE(AM) should develop a concept plan establishing DoD objectives regarding recognition of costs related to consumption of physical assets in sufficient detail so that reasonably accurate estimates of cost impact to DoD can be determined.

4. By April 1982, USDRE(AM) should complete an assessment of the financial impact on DoD funds of planned revisions or alternate approaches to achieving the objectives.

5. Within 30 days of final Congressional action transferring CAS function to OMB, USDRE(AM) should submit a proposal to OMB incorporating the desired revisions to CAS 409.

6. On a continuing basis, after CAS transferred to OMB, DoD should support OMB in any efforts to review CAS Standards, rules and regulations for appropriate modification.

Report on Initiative No. 5b. Title: Return On Investment (ROI) - Productivity Investments

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

Structure contracts to permit companies to share in cost reductions resulting from productivity investments. Modify the Defense Acquisition Regulation (DAR) profit formula. Allow for award fees inversely proportional to maintainability costs.

ACCOMPLISHMENTS TO DATE:

1. The DAR Pricing Subcommittee explored improvements in contract financing and profit policy and issued a report to the DAR Council on 22 September 1981. The Subcommittee recommended no DAR changes at this time, but suggested the DAR Council commission a comprehensive study (with Industry input) to determine what additional contractual incentives would be required to motivate contractors to invest in facilities. The DAR Council has not yet decided to accept the Subcommittee's recommendation regarding the need for an indepth study.

2. The DoD Task Force for Improving Industrial Responsiveness has prepared a draft DoD Guide entitled "Improving Productivity". It provides instructions to contracting officers on tailoring existing contract incentive clauses within the authority of existing DAR policies to provide motivation for DoD contractors to make productivity enhancing capital investments. The Guide has been distributed to interested groups for comment. On 9 December 1981, the Task Force briefed the Director, Industrial Resources (OUSDRE(AM)) regarding the Guide. If approved, the Guide should be published by 15 March 1982.

BARRIERS TO IMPLEMENTATION:

1. Reluctance of Contracting Officers to tailor existing clauses to achieve the objectives of this sub-initiative.
2. Subjective nature of measuring productivity increases and auditing resulting cost reductions.
3. Motivational factors (financial and other) which drive or influence contractor capital investment decisions are presently uncertain.
4. DoD productivity policy must be flexible enough to accommodate the myriad of motivational factors driving contractor capital investment decisions.
5. Insufficient data available to determine effect of other recent DoD policies on contractor investment decisions (e.g., flexible progress payments, increased standard progress payment rates, milestone billings, source selection procedures).

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. By January 1982, USDRE(AM) should decide if the Productivity Guide will be published. Publication of the Guide, and follow-through to ensure acceptance at the contracting officer level, will overcome Barrier number 1 above.
2. If a decision is made to publish the Guide, OUSDRE(AM) Staff should assure publication by 15 March 1982.
3. By January 1982, USDRE(AM) should decide if an Ad Hoc Committee (or permanent DAR Subcommittee) should be established to perform the study recommended by the DAR Pricing Subcommittee. The Ad Hoc Committee would require broad authority to contract with outside consultants and, if necessary, to conduct interviews and investigations at the Contracting Offices and Contract Administration level of the acquisition process. The Ad Hoc Committee should address Barriers 2-5 above in their study efforts. The Committee should also consider ways to improve logistic productivity by providing incentives for advanced buys of spares and components.
4. By January 1982, USDRE(AM) should direct the DAR Council to consider the potential for providing contractual incentives to DoD contractor employees, permitting them to share in savings from significant productivity increases attributable to enhanced workforce performance (as differentiated from productivity increases related to investments in new capital equipment). USDRE(AM) should also consider the merits of a SecDef letter to major defense contractors and labor groups citing the importance of contractor and labor union programs to encourage improved employee productivity.

Report on Initiative No. 5c. Title: Milestone Billings and Expediting Payment

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

Increase use and frequency of milestone billings and advanced funding. Expedite paying cycle.

ACCOMPLISHMENTS TO DATE:

1. Milestone Billings: Flexible progress payment procedures and increased standard progress payment rates issued by USDRE(AM) on 28 August 1981 and published by DAR Council in Defense Acquisition Circular (DAC) 76-31 dated 30 October 1981. These changes in progress payment policy are intended to limit the need for increased use and frequency of milestone billings. This notwithstanding, the DoD Contract Finance Committee is reviewing milestone billing coverage for revisions in support of subinitiative 5c.

2. Expedite Paying Cycle:

a. The DAR Council has prepared for USDRE(AM) signature a draft memorandum to ASD(C) regarding DoD payment policy and applicable Treasury regulations. This memo is for ASD(C) use in responding to an OMB request for efforts to improve the Government's bill paying practices.

b. USDRE(AM) has requested that the DoD Contract Finance Committee review DoD payment procedures and correct any impediments to accomplishing the DoD policy of expedited payments.

BARRIERS TO IMPLEMENTATION:

1. Milestone Billings: None

2. Expedite Paying Cycle: The DoD Contract Finance Committee has not completed its review of payment policies and procedures, and, therefore, barriers to implementation have not been identified.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. Milestone Billings:

a. By 15 February 1982, DoD Contract Finance Committee complete review of milestone billing procedures and approve revised coverage for DAC publication.

b. By 30 April 1982, Chairman, DAR Council arrange for publication of revised milestone billing procedures in DAC.

2. Expedite Paying Cycle:

a. By 24 December 1981, USDRE(AM) transmit approved memo to ASD(C).

2. Expedite Paying Cycle:

- a. By 24 December 1981, USDRE(AM) transmit approved memo to ASD(C).
- b. By 31 July 1982, DoD Contract Finance Committee identify any impediments to expeditious payment and advise USDRE(AM) of changes in regulations or procedures necessary to eliminate those impediments.
- c. By 30 September 1982, USDRE(AM) issue those changes necessary to expedite the paying cycle.

Report on Initiative No. 5d.

Title: Profit Levels

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

Provide for negotiation of profit levels commensurate with risk and contractor investment; ensure that recent profit policy changes are implemented at all levels.

ACCOMPLISHMENTS TO DATE:

By memorandum dated 19 June 1981, USDRE(AM) stated that use of Weighted Profit Guidelines will result in reasonable profits if the proper type contract has been selected and directed that contracting activities select the type of contract most appropriate to the risks involved. The memorandum requested the Services and DLA to forward such guidance to field elements. The Services and DLA have complied with the request. Separate action under Initiative No. 8, Assure Appropriate Contract Type, emphasizes the importance of selecting the proper contract type, risk and other factors considered, to assure adequate profit motivation for DoD contractors.

BARRIERS TO IMPLEMENTATION: None.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

None, other than continued monitoring to assure appropriate follow-through.

Report on Initiative No. 5e. Title: Economic Price Adjustment

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

Instruct the Services of the need to grant equitable Economic Price Adjustment (EPA) clauses in all appropriate procurements. Contract price adjustments made in accordance with EPA provisions should recognize the impact of inflation on profits. Ensure that these clauses are extended to subcontractors.

ACCOMPLISHMENTS TO DATE:

1. The DAR Council's EPA Ad Hoc Committee proposed revisions to current EPA coverage in a report dated 28 October 1981.

2. Proposed DAR coverage: (i) extends use of EPA clauses to fixed-price incentive contracts; (ii) provides a less restrictive clause for use in contracts based on established market or catalog prices; (iii) provides revised EPA coverage on formally advertised procurements to permit more equitable bid evaluations; and (iv) provides more definitive and uniform provisions for economic price adjustment methods. The coverage is designed to provide greater assurance that contractors and subcontractors are not penalized by unpredictable cost fluctuations. In its present version, the proposed coverage does not contemplate adjustment of profit.

3. The DAR Council released the Ad Hoc Committee's proposed DAR coverage for Industry and Service/Agency comments on 7 December 1981 under DAR Case No. 81-144. Comments are due by March 1982.

BARRIERS TO IMPLEMENTATION: None.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. DAR Council receive Industry and Service/Agency comments by 7 March 1982.

2. By July 1982, DAR Council review comments and issue revised coverage for immediate implementation.

Report on Initiative No. 5f. Title: Manufacturing Technology Program

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

Increase emphasis on Manufacturing Technology Programs.

ACCOMPLISHMENTS TO DATE:

1. The Army has initiated an Industrial Productivity Improvement (IPI) Program with final Army approval by the Under Secretary of the Army. Programs are underway at Rockwell's HELLFIRE plant (Atlanta) and AVCO Lycoming. Potential plants are Martin Marietta (Orlando, FL) and Chrysler (Lima, OH). Army's request for funds stretches from a low in FY 83 of \$86.9 million to a high in FY 87 of \$269.9 million.

2. During the past five years the Navy has invested \$77 million in Manufacturing Technology (MANTECH) and has budgeted \$8 million for FY 82 and up to \$70 million per year in the out years. The Navy's MANTECH Program for the next five years will emphasize four areas of interest, namely, shipbuilding technology, aircraft and air combat systems, ship combat systems and electronics. A briefing has been scheduled in January 1982 to Dr. DeLauer in response to his memo of early September to the Service Secretaries. That briefing will go into detail on the four areas in the MANTECH Program.

3. The Air Force has developed a Technology Modernization (TECHMOD) Program with the F-16 TECHMOD Program as the first demonstration of an effort to reduce Government costs of acquiring the F-16 weapons systems. The initial success with the F-16 has prompted the Air Force to consider the concept for other systems that will have long production runs. The objectives of the Air Force Industrial Facilities Program (which includes TECHMOD) will be accomplished through four interrelated approaches, i.e., Industrial Preparedness Planning, Facilities, MANTECH, and Industrial Productivity and Responsiveness activities. A new initiative of the MANTECH Program is underway to provide productivity and production efficiency improvements for the B-1B industrial base. Initial assessments indicate that a payoff of at least 5 to 1 is projected.

4. Industry and Government participated in a MANTECH Conference in San Diego 1-3 Dec 81. Industry's critique of the DoD MANTECH program revealed no significant problem areas. There was a strong Industry recommendation to more clearly discriminate between the MANTECH program and the TECHMOD or Industrial Productivity program. TECHMOD/IPI is an acquisition strategy which must be tailored to fit each specific factory and DoD program(s) to include development of special manufacturing processes through the MANTECH program. Primary emphasis of TECHMOD/IPI should be to strike a "business deal" between Government and Industry using appropriate contract types and other means addressed in this Initiative.

5. Increasing emphasis on multiyear procurement (Initiative No. 3) should have a significant motivational impact on contractors' participation in MANTECH programs.

BARRIERS TO IMPLEMENTATION:

1. The complexity of implementing a program to provide incentives for contractor investment in severable equipment (machinery such as lathes, millers, grinders, etc.) and to allow sufficient return on investment for Government contracts.
2. The availability of appropriated funds for MANTECH.
3. Conflicting priorities (i.e., need to trade-off funding for operational weapons systems at the expense of funding for MANTECH).
4. Lack of stability in major DoD weapons systems programs.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. On a continuing basis, OUSDRE(AM) Staff followup with Services on actions taken related to this subinitiative and provide periodic briefings for USDRE regarding Services' funding for MANTECH.
2. USDRE assure that high level support is provided for companion Initiative No. 3 (Multiyear Procurement). Such support will assist in alleviating the Barriers noted above.

Report on Initiative No. 5g. Title: Patent Policies

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

Provide a consistent policy which will promote innovation by giving contractors all the economic and commercial incentives of the patent system. Provide policies to protect proprietary rights and data.

ACCOMPLISHMENTS TO DATE:

1. Patent Policy: The DAR Patents Subcommittee concluded in a 7 August 1981 report that current DoD policy of permitting contractors and subcontractors to acquire title to inventions made under most DoD R&D procurements fulfills the initiative objective of giving contractors all the economic and commercial incentives of the patent system. The Subcommittee report included an informational item suggested for publication in an upcoming Defense Acquisition Circular (DAC) to remind contracting officials of the policies and procedures governing patents.

2. Technical Data:

a. The DAR Technical Data Subcommittee concluded in a 14 August 1981 report (DAR Case 81-79) that DoD policy complies with the initiative objective of protecting proprietary rights and data. The Subcommittee identifies on-going efforts to better implement this policy, as follows:

(1) A DAC issued 15 May 1981 added DAR coverage to permit delivery of commercial computer software with restricted rights without case-by-case negotiation.

(2) A proposed DAR change to permit Government acquisition of less than unlimited rights to privately developed ADPE and computer software was sent to Industry. Comments were due 19 December 1981 (DAR Case 80-62).

(3) The Subcommittee is developing DAR coverage on alternatives to the acquisition of unlimited rights in technical data and computer software for the purpose of establishing competition (DAR Case 80-143).

b. The Subcommittee report included an informational item suggested for publication in an upcoming DAC to remind DoD contracting officials of the policies and procedures governing technical data rights.

BARRIERS TO IMPLEMENTATION:

1. Patent Policy: None

2. Technical Data: Industry appears concerned that, despite stated policy, DoD is: (i) acquiring unneeded rights to technical data, and (ii) is sometimes not adequately protecting data from disclosure outside the Government.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. Patent Policy:

- a. By January 1982, DAR Council review Subcommittee report.
- b. By March 1982, DAR Council publish DAC informational item on policies and procedures governing patents. (Action considered closed upon DAC publication).

2. Technical Data:

- a. DAR Case 81-79:
 - (1) By January 1982, DAR Council review Subcommittee report.
 - (2) By March 1982, DAR Council publish DAC informational item on policies and procedures governing technical data rights.
- b. DAR Case 80-62: By March 1982, DAR Council review Industry comments on 80-62 and issue DAR revisions.
- c. DAR Case 80-143:
 - (1) By January 1982, Subcommittee complete coverage.
 - (2) By March 1982, DAR Council issue coverage to Industry and the DoD Components for comment. Comments should also be solicited regarding any additional measures needed to protect technical data rights.
 - (3) By July 1982, Subcommittee review comments and revise and/or draft new coverage as necessary.
 - (4) By November 1982, DAR Council review and issue DAR revisions.

Report on Initiative No. 5h. Title: Vinson-Trammell Act Repeal

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

General Counsel should work to repeal the Vinson-Trammell Act.

ACCOMPLISHMENTS TO DATE:

The DoD Authorization Act of 1982, signed on 1 December 1981, provides for repeal of the profit limitation provisions of the 1934 Vinson-Trammell Act and authorizes the President, upon a declaration of war or national emergency, to prescribe such regulations as are determined necessary to control excessive profits on defense contracts.

BARRIERS TO IMPLEMENTATION: None.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. By January 1982, USDRE(AM) direct DoD procurement activities to immediately discontinue inclusion of excess profit provisions in all contracts/solicitations.
2. By June 1982, DAR Council revise Defense Acquisition Regulation to reflect elimination of Vinson-Trammell excess profit provisions.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 6. Title: Budget to Most Likely Cost

Task Force Principals: Mr. J. E. Williams & Mr. J. T. Kammerer

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

ASD(C) require the Services to budget to most likely or expected costs, including predictable cost increases due to risk, instead of the contractually agreed-upon cost. USDRE and the Services provide incentives for acquisition officers and contractors to accurately project costs, including financial incentives and performance evaluation considerations to DoD personnel, and profit incentives to industry to reduce costs.

ACCOMPLISHMENTS TO DATE:

1. In accord with the Nov 20, 1981 DRB decision, the Service Secretaries are now required to explicitly choose between program manager and independent system cost estimates, and explain their choices to the DepSecDef.
2. The OASD(C) is, during the annual budget review, examining development and early procurement cost estimates to make sure they adequately accommodate program risk and are not a reflection of contractual targets alone. The CAIG is attempting to explain all differences among Service and OSD cost estimates at designated Program Reviews or DSARCs, to explain all significant variances, and to track all cost estimates from milestone to milestone.

BARRIERS TO IMPLEMENTATION:

Continued optimism on the part of sponsoring acquisition organizations is probably the greatest remaining barrier to this initiative. In particular, the initiation of overly ambitious subsystem development is a matter of concern lest this critical path element may delay acquisition of the entire program. See Initiative No. 2, Preplanned Product Improvement, for progress in this regard.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. The DSARC Chairman should call new DSARC meetings for performance, schedule and cost threshold breaches.
2. Continued high-level attention must be focused on this initiative through the Steering Group, and a study made of appropriate incentives, possibly through an Ad Hoc committee under the Steering Group.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 7. Title: Economic Production Rates

Task Force Principals: BG C. F. Drenz, USA & Mr. T. P. Christie

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

Secretary of Defense establish policy requiring Services to fund programs at economic rates or justify any differences during budget reviews by OSD and the DRB. USDRE and ASD(C) include this requirement in the FY 83 program and budget guidance.

ACCOMPLISHMENTS TO DATE:

1. The spirit of this initiative carried through the FY 81 supplemental and FY 82 amended budgets by increasing or restoring production rates for several programs that were being funded at inefficient rates. For the most part, the Service POMs continued this momentum toward high rate efficient production in their POM submissions.
2. When we look back on many FY 83 budget decisions to this point, however, there is reason for deep concern, if not alarm. We have reduced funding for the very same programs (M-1 tanks, Fighting Vehicle System, Patriot, A-6E, P-3C, A-10) for which we requested additional money in the FY 82 budget amendment.
3. The most recent DRB decisions of the past several weeks have taken steps in the right direction, but many of the more important decisions are still pending. The Services have been directed by the DRB to establish offsets in the FY 83 budget to allow production at more economical rates of certain systems, such as the Mark 46 torpedo, the TOW anti-tank missile, the F-18 fighter, and the re-engining of the KC-135 tanker. These decisions are being reviewed by the DRB as the FY 83 budget is finalized.
4. During this past year the programming budgeting system has been plagued by uncertainty. Target figures for the top-line have fluctuated, and the system has shown little versatility in adapting to what has become the rule, rather than the exception--budget uncertainty. This inability to adapt efficiently can be attributed to an absence of agreed upon priorities that leads to a reluctance to terminate marginal or low priority programs.

BARRIERS TO IMPLEMENTATION:

1. The primary barrier to implementation of this initiative has been the uncertainty of the defense program budget level.
2. The inability, so far, on the part of Congress, OSD, and the Services to establish a sense of mission priorities makes the response to budget uncertainties lack of sense of unity and common purpose.
3. The continued unwillingness to cancel programs precludes other DepSecDef initiatives. When Congress, OSD, or the Services do offer a program for cancellation it is likely to be restored. There is little commitment to establishing priorities and cancelling marginal programs to respond to budget reductions.

4. There are legitimate reasons to produce at an uneconomic rate in special cases. Production problems sometimes justify a less than economic production rate. For example, certain parts are impossible to acquire at a rate necessary to support a higher production rate. Technical problems constituting considerable risk also may justify a less than economic production rate. The Patriot missile, which has experienced software difficulties, is a case in point. Programs that plan for a relatively small buy can never efficiently build to their economic rate. And, other initiatives intended to improve the acquisition process sometimes interfere with the goal of higher production rates. For example, to stabilize production and to implement multi-year procurement initiatives, it may be desirable to lock a program in at a less economic rate.

5. Warm production lines, even when operating at inefficient rates, are usually of a real strategic value, and their marginal utility should compete on an equal footing with other defense programs for our limited resources. We should expect some of them to fare well in the budget process.

6. There is a lack of understanding in contrasting "economical production rates" with "efficient production rates." A larger buy usually produces a more efficient rate, but the most economic rate refers to the range where the marginal utility of an additional unit no longer realizes the same savings as the previous unit--that is, the "knee of the curve." Programs aim for the most economic rate that meets the threat (even these definitions are not universally accepted; so, as a first step, an agreement on the definition of terms is required).

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. An understanding among decision-makers needs to be established to work towards the more economic rates for our program and to cancel or truncate lower priority programs to maintain the economic rate of others, while at the same time the value and priority of various warm production lines is not lost in the process.

2. Such an initiative needs to show commitment on the part of the initiator: OSD through the Defense Guidance, the PDM, and the day-to-day DRB decisions must demonstrate the seriousness of it's intent. Otherwise, an initiative like this succumbs to business as usual.

3. The timing must be immediate. OSD and the Services must hold themselves to task on this initiative. It is only then that the Congress will sense a unity of purpose and be willing to support such a DoD initiative. The final DRB decisions on the FY 83 budget are of paramount importance to demonstrate seriousness and must support this initiative or we must accept that it will not be implemented. The Services must compile their offsets so as to support fully the DRB's most recent efficiencies (TOW, Mark 46, KC-135 re-engining, F-18, etc.). Then to maintain the momentum, the Defense Guidance must reflect these types of efficiencies to orient the FY 84 budget properly. Also, the DoD Acquisition Executive (USDRE) through the Service Acquisition Executives needs to define terminology and implement an education process within the program management community to effect an understanding of what is economic, efficient, etc.

4. Finally, as part of achieving Milestone II, programs should be required to estimate what the economic production rate's range of values is, and the estimate should be updated periodically. (For certain programs, the Acquisition Executive may find it better to determine this range earlier than Milestone II.) The Services, when choosing to take a program to DSARC II, should understand that they are then responsible either for supporting an economic rate through the PPBS or for justifying why another rate is necessary.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 8. Title: Assure Appropriate Contract Type

Task Force Principals: Mr. J. E. Williams & Mr. J. T. Kammerer

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

1. Establish an OSD, Service, and Industry working group to develop an implementation plan to ensure that appropriate contract types are used.
2. Ensure that Program Managers have the responsibility for determining appropriate contract type. Ensure clarity in regulations.

ACCOMPLISHMENTS TO DATE:

A joint working group was established, consensus reached within the DoD and policy guidance drafted for DepSecDef signature.

BARRIERS TO IMPLEMENTATION:

Achieving Industry consensus.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. DUSD(AM) meet with Industry (NSIA, AIA) in January to inform them of the DoD policy on selection of contract type.
2. DepSecDef issue the DoD policy memorandum. Should be completed by 31 Jan 1981.
3. Service Secretaries ensure implementing regulations are in compliance with DoD policy within 90 days and notify SecDef, thereby closing out administrative actions required under this initiative. Continued monitoring is required.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiatives No. 9 & 31. Title: Improve Support and Readiness

Task Force Principals: Dr. R. D. Webster & VADM R. R. Monroe, USN

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

These initiatives support the management principle enunciated in Initiative No. 1 that "Improved readiness is a primary objective of the acquisition process of comparable importance to reduced unit cost or reduced acquisition time. Resources to achieve readiness will receive the same emphasis as those required to achieve schedule or performance objectives. Include from the start of weapon system programs designed-in reliability, maintainability and support."

a. Action required by Initiative No. 9 was "MRA&L draft SecDef policy letter to be issued within thirty days, reaffirming weapons support policy and objectives and tasking the Services to develop implementing guidelines, including procedures for addressing support early in acquisition programs."

b. Action required by Initiative No. 31 was "USDRE issue guidance adding early assessment of support options to the current procedures."

ACCOMPLISHMENTS TO DATE:

1. A memo was signed by DepSecDef on June 13, 1981, which required the Services to take implementing actions, within a year, in the following areas:

a. Assigning readiness goals as design objectives and primary management tools.

b. Developing guidelines for additional front end funding and attention for concurrent development programs.

c. Designating programs for support emphasis.

d. Establishing organizations and procedures to implement the policies.

2. Service implementation responsibilities have been assigned and implementation timetables have been established. Progress briefings have been provided by the Services. The procedural aspects of implementation are currently being worked (revision of directives and handbooks, development of procedures for assigning readiness objectives, etc.).

3. Some initial steps have been taken to change organizations and responsibilities for making "designed-in" weapon system readiness an integral part of all new acquisitions. Examples are the Navy's logistic assessment requirements, included in a recent instruction on operational availability, and the Army's plan to augment logistic review capabilities to support their ASARC assessments.

4. Implementation of Initiative No. 31 is being accomplished within the Services as part of Initiative No. 9. USDRE has taken action to incorporate the guidance

required by Initiative No. 31 in the revision of DODI 5000.2.

BARRIERS TO IMPLEMENTATION:

1. Impediments to progress fall in three categories:

a. Lack of management priority by the acquisition community. The perception at all levels in the acquisition community is that there has not been a substantial shift in traditional management priorities. As a result, programs continue to be structured to give top priorities to cost, schedule or performance objectives; support and readiness considerations are left to be accommodated within these program constraints. Recent strategic system acquisitions, structured to meet tight IOC dates and constrained acquisition costs are pertinent examples.

b. Lack of front end emphasis and processes. Although progress has been made in getting support issues addressed as part of production decisions, the front end planning processes for new weapons programs do not typically address measures to reduce support risk. Ambitious cost and schedule objectives can be accommodated with minimal adverse effects on support if the funding is made available for additional test hardware (Initiative No. 12), reliability and support incentives (Initiative No. 16), or other risk-reducing measures. This must be done early in the acquisition cycle since, once the R&D funding is fixed through PPBS actions or ceilings on development cost, there is little opportunity to add efforts to affect the support characteristics inherent in the new system.

c. Inadequate procedures, organizations and technical capabilities. The Services have only recently issued their revised top level directives reflecting the 1980 update of DoDD 5000.1, DoDI 5000.2, and DoDD 5000.39. The Services have not issued their implementing directives for DoDD 5000.40. Work is underway to develop lower-tier implementing instructions, handbooks, etc. The Service implementation plans should be entirely adequate to remove procedural barriers, but it will take a year or more before the new procedures are in routine use by program managers. In the interim, some programs should be selected for ad hoc attention and trial application of the new procedures.

(1) Organizations responsible for logistic assessments and for independent evaluation of the readiness implications of test results need strengthening, to varying degrees, in each Service.

(2) An organizational barrier identified by the DSB 1981 summer study on readiness is that the logistic organizations in OSD and the Services are set up to manage support functions (supply, maintenance, training, etc.) with little visibility of the total support resources and their interactions for a weapon system. Initiative No. 30, which would give the program manager greater visibility and involvement in support resource decisions affecting his weapon system, is a key element in removing this barrier.

(3) Technical difficulties include the lack of a standard set of terms for readiness and support-related parameters, and the failure to apply established analytical approaches to relate design characteristics and support concepts and resources to readiness goals. Much progress has been made, case-by-case, in recent acquisition programs in all three Services. However, major programs continue to come forward for DSARC review without well defined and consistent support and readiness goals. The problem now is to take the best features of the good examples

resources to readiness goals. Much progress has been made, case-by-case, in recent acquisition programs in all three Services. However, major programs continue to come forward for DSARC review without well defined and consistent support and readiness goals. The problem now is to take the best features of the good examples and institutionalize them, as well as continuing to improve analytical approaches and data bases.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. The program structure for each weapons system should include explicit IOT&E periods, with highly visible support and readiness thresholds, to provide firm data to decision-makers at production milestones. The support thresholds should be based on realistic schedules for availability of support elements at each milestone. (Include as revision to DoDI 5000.2 and DoDD 5000.3).
2. Service and OSD managers should include as an agenda item in each program review an assessment of readiness objectives, risks in achieving these, and options to reduce the risk. At program initiation, the review should address the acquisition strategy including front end funding, contractor incentives, design and supportability tradeoffs, alternative schedule and funding approaches and effect on readiness achievement. Implementation requires revision of the policy directives and instructions (5000.2, 5000.3, 5000.39, 5000.40); assignment of staff expertise to carry out the front end planning and assessments; and changes in procedures to ensure that readiness and support are routinely included on the agenda of milestone and other program planning meetings.
3. Top management must create awareness of the necessity for support and readiness within the acquisition community and must continue to emphasize policies and procedures for designed-in reliability and maintainability.
4. MRA&L and USDRE should establish an OSD/Service working group on specifying support-related DSARC goals. The objective would be to assist each Service in completing their guidelines by June 30, 1982.
5. Each Service should assign responsibility and resources for quantitative assessment of the readiness implications of the measured R&M characteristics and resource utilization observed in early T&E. (Include in revisions to 5000.2 and 5000.39).
6. The Services should implement the milestone plans which they have submitted in response to the 13 June memo by Secretary Carlucci.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No 10. Title: Reduce the Administrative Cost and Time to Procure Items

Task Force Principals: LTG J. H. Merryman, USA & Mr. J. W. Melchner

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

Items:

- a. Raise small purchase ceiling from \$10,000 to \$25,000.
- b. Raise threshold for contractor costing data input from \$100K to \$500K.
- *c. Raise threshold for Secretarial D&F's for R&D from \$100K to \$1M.
- d. Encourage greater use of class D&Fs.
- e. Raise reprogramming thresholds.
- f. Eliminate need for non-Secretarial D&Fs.

*NOTE: Legislation in Congress raised this from \$100K to \$5M (in lieu of DoD's request of \$1M).

ACCOMPLISHMENTS TO DATE:

Items a, b & c. All three actions have been included in "Department of Defense Authorization Act, 1982." The Act was signed into law (P.L. 97-86) on 1 Dec 81.

Item d. Dropped as being unnecessary--determination made by DUSD(AM).

Item e. Transferred to Initiative 15--determination made by DUSD(AM).

Item f. Dropped as being not feasible--determination made by DUSD(AM).

New Item g. OSD initiated new action to develop simplified contract format for purchase above small purchase threshold and under \$100K.

BARRIERS TO IMPLEMENTATION:

Items a, b & c. None.

Item g. Many contract clauses are required by statute or to protect the Government's interest. AF, with support from Army, Navy and DLA, will have to work around these, shorten or eliminate them, where possible.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

Items a, b & c. DAR Council initiated actions for implementation within DoD. Target date for interim implementation is within 30 days (31 Dec 81).

Item g. DepSecDef memo tasking AF with lead requires submission of milestone plan for completion by 15 Jan 82.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 11. Title: Budget Funds for Technological Risk

Task Force Principals: LTG J. H. Merryman, USA & Mr. J. W. Melchner

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

SecDef emphasize the requirement to evaluate, quantify and plan for risk. USDRE direct all Services to budget funds for risk. In particular, each Service should review the TRACE concept and either adopt it or propose an alternative for its use to USDRE within 60 days.

ACCOMPLISHMENTS TO DATE:

1. Army: TRACE concept implemented for several years.
2. AF: Completed evaluation of TRACE. Proposed to USDRE, on 24 September 1981, continuation of a similar AF system.
3. Navy: The risk cost estimating concept is being implemented in NAVAIR. The concept is identical to Army TRACE. Wider application of the TRACE concept is being considered for POM 85 implementation for undetermined programs in NAVSEA and NAVELEX system commands.

BARRIERS TO IMPLEMENTATION: None.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

USDRE should add Section V.F.3. to Defense Guidance for POM 84-88 as follows:

3. Programing for Technology Risk. Services will develop methods and procedures to quantify technological risk during development and will budget funds where appropriate to contend with this risk.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 12. Title: Provide Adequate Front-end Funding for Test Hardware

Task Force Principals: VADM R. R. Monroe, USN & Dr. R. D. Webster

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF 30 APRIL:

"USDRE ensure that the acquisition strategy identify plans for and funding required to acquire adequate subsystem and system test hardware to reduce overall schedule time and risks."

ACCOMPLISHMENTS TO DATE:

Some support--in principle--for this initiative has been included in wording of various OSD and Service directives; however, nothing has been done which could be expected to bring about a change in actual practice.

BARRIERS TO IMPLEMENTATION:

The real problem is our attitude about test and evaluation (T&E). Most of those involved in the acquisition process:

- a. Have an underlying belief that systems will work as advertised;
- b. Tend to regard T&E as a "wicket" to be passed, rather than an essential tool in the process;
- c. Believe that, in most cases, money can be saved and the acquisition process speeded up by reducing test hardware and test periods;
- d. Seem quite willing to give program go-aheads at key points without reviewing test results; and
- e. When confronted with poor test results, tend to be willing to accept promises of correction, and to be impatient about delaying the program to correct problems and retest.

As a result of these institutional attitudes there is an unwillingness to commit resources to buy adequate quantities of development hardware.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

No single, one-time, action or group of actions will achieve any real results. We will get adequate front-end funding for test hardware only if attitudes about T&E are changed, and this will require a steady, concerted, long-term effort across-the-board, both in our policy/procedure directives and in our actual

actions, week by week, in decision-making on specific programs. Rhetoric in support of T&E will not suffice. It must be backed up by the early commitment of resources required to carry out adequate T&E during all phases of development. The proposed action program is as follows:

a. Incorporate one or two brief additional policy statements about T&E in draft DoD Directive 5000.1. (Note: It has been typical of our attitude about T&E that we have relegated its treatment to DoD Directive 5000.3, and have not included strong reference to T&E in DoDD 5000.1 or DoDI 5000.2. This omission reinforces the view that T&E is an isolated topic, rather than an integral aspect of system acquisition.)

b. Accomplish the same upgrading of attention to T&E by specific procedural references in DoD Instruction 5000.2.

c. In the forthcoming rewrite of DoD Directive 5000.3, give explicit attention to providing adequate front-end funding for test hardware.

d. DIT&E prepare (prior to 31 Dec 1981) two hard-hitting letters for DepSecDef's signature on Initiative No. 12; one addressed to Service Secretaries, giving specific guidance on what is expected, and one addressed to USDRE(DDT&E), placing increased emphasis on the DDT&E role for ensuring adequacy of front-end funding for test hardware. The purpose of the letters is to strengthen the hand of those few who argue for adequate T&E, vis-a-vis the many who argue for reducing RDT&E cost and time.

e. While the above four actions will start the implementation process, the only really effective effort will be the case-by-case decisions made in each program over the coming weeks and months. If we do not support "adequate front-end funding for test hardware" here, no words in directives will matter.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 13. Title: Governmental Legislation Related to Acquisition

Task Force Principals: BG C. F. Drenz, USA & Mr. T. P. Christie

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

USDRE establish joint OSD and Service team to weigh the impact of the various governmental requirements and regulations on the efficiency and effectiveness of the total DoD acquisition and contracting process. Industry and OMB should participate to the maximum extent possible. A report should be prepared for the DepSecDef within 45 days.

ACCOMPLISHMENTS TO DATE:

1. OSD/Service team offered its recommendations in August 1981.
2. A report on the status of each of the 10 issues approved for final actions is enclosed.

BARRIERS TO IMPLEMENTATION:

At the Congressional level, and during OMB level coordination with other Executive Departments/Agencies, the initiatives could encounter opposition from other constituencies such as organized labor and advocates of the Uniform Federal Procurement System.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. DUSD(AM) expedite internal OSD and Service/Agency coordination on the legislative initiatives currently in the DoD coordination process (target date: 31 December 1981).
2. DUSD(AM) determine the appropriate actions required to expedite accomplishment of all the Initiative No. 13 recommendations in light of the existing political climate, etc. These actions could include high level DoD contacts with organizations external to DoD; e.g., OMB or Congress (target date: 15 January 1982).
3. DUSD(AM) review the status of the initiatives on a monthly basis and take appropriate action based upon the political environment, etc. Provide a periodic report with recommendations for specific action to DepSecDef (target date: ongoing action).
4. DUSD(AM) convene Task Group 13 on a quarterly basis to review the overall Defense acquisition situation and determine if additional legislative initiatives are necessary.

5. Contingent on the result of the determinations discussed in 2. above, DUSD(AM) should seek support from appropriate industry organizations, e.g., American Defense Preparedness Association.

6. Note that the FY 82 Authorization Bill increases the small purchase ceiling to \$25,000 (Initiative 10). The legislative proposals contained in this initiative support and augment that action.

7. On 27 November 1981, DepSecDef tasked the Services and DLA to develop simplified contract formats for use above \$25,000. This project is being monitored under Initiative No. 10. We recommend full support of this program. The initial project status report is due DepSecDef by 15 January 1982.

SUMMARY OF PROPOSED LEGISLATIVE INITIATIVES

1. DoD continues to oppose draft legislation to provide for an extension of a pilot program of Section 8(a) contracting as the Director, OMB, was advised on April 9, 1981. Mark-up bills are in Committee. (S.1620, reported in Senate 28 September, Report No. 97-195. Companion Bill H.R. 4500, reported in House 28 October, passed House 17 November. Bill is different than S.1620--no exemption for DoD.)

2. (a) Amend the Walsh-Healey Public Contracts Act to increase the minimum threshold to \$25,000. Legislative initiatives are being developed. (See issue number 10.)

(b) Amend the Walsh-Healey Public Contracts Act to permit a 4-day, 40-hour week without premium overtime compensation. The Congress is considering bills to this end that DoD proposes to support. (H.R. 2911 and H.R. 3185 referred jointly to the Committee on Education and Labor and the Judiciary--appear to be buried in Committee; no action since June.)

(c) Amend the regulations of the Department of Labor to eliminate the distinction between suppliers of new and used automatic data processing equipment with respect to the requirement to maintain, store, or warehouse stock. Regulatory initiatives are being developed. (Letter to DoL sent 17 November.)

3. Amend the Contract Work Hours and Safety Standards Act to permit a 4-day, 40-hour week without premium overtime compensation. The Congress is considering bills to this end that DoD proposes to support. (See 2(b) above.)

4. Support revision of current DoL regulations (Davis-Bacon Act) to remove substantial administrative and direct costs in the acquisition process. Revise procedures for establishing prevailing wages, extending coverage to construction helpers, and other changes. Revisions proposed by DoL are in the comment stage. (Comments provided 8 October 1981.)

5. Amend the Service Contract Act to remove substantial administrative and direct costs in the acquisition process. However, the Secretary of Labor has proposed regulatory revisions that generally address these same issues, and DoD has supported these changes. The voluntary regulatory changes will only become permanent by amendment to the statute. Specific legislative changes were provided to OMB on 19 February 1981. (Legislative Proposal DoD 97-87 sent to OMB on 19 February 1981.)

6. Amend the Armed Services Procurement Act to delete the ten percent fee limitation on cost-plus-fixed-fee contracts. Legislative initiatives are being developed. (Draft legislation submitted to OSD General Counsel for coordination on 19 November 1981. DUSD(AM) to follow up and expedite.)

INIT 13

Encl

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7. Monitor DoL activity to streamline DoL regulations regarding non-discrimination in federal contracts. DoL has published revisions for comment due 26 October 1981.

8. Amend the Copeland Anti-Kickback Act to relieve contractors of the requirements to provide weekly wage statements. Legislative initiative is being developed. (Draft legislation submitted to OSD General Counsel for coordination on 19 November 1981. DUSD(AM) to follow up and expedite.)

9. Amend the Armed Services Procurement Act to delete the requirements to solicit suggestions from retiring civilians and military personnel. DoD-sponsored legislation was submitted to the House of Representatives on May 1, 1981. (H.R. 4276 introduced 27 July 1981. Referred to Armed Services Subcommittee on Procurement and Military Nuclear Systems.)

10. Amend 11 statutory thresholds to achieve a level of applicability for significant socio-economic programs at \$25,000. Statutes include, among others, the Davis-Bacon Act, Service Contract Act, Employment of the Handicapped Act, and Walsh-Healey Public Contracts Act. Legislative initiative is being developed.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 14. Title: Reduce the Number of DoD Directives

Task Force Principals: VADM R. R. Monroe, USN & Dr. R. D. Webster

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF 30 APRIL:

"USDRE establish a joint OSD, Service, Industry team to provide recommendations within 90 days to substantially reduce the number of directives, and the documentation required in contracts."

ACCOMPLISHMENTS TO DATE:

Significant early action has been underway. An OSD/Tri-Service/NSIA-AIA team has reviewed 136 DoD acquisition directives and made specific recommendations on each (retention, cancellation, consolidation, etc.). Action officers are now reviewing these recommendations, with a December response date.

BARRIERS TO IMPLEMENTATION:

We can expect the entire process to bog down at this point. There are three serious barriers to further action:

- a. The normal resistance to change (and unwillingness to dispense with any control mechanisms) exhibited by any large bureaucracy.
- b. The immense inertia of any large bureaucracy in getting revised directives on the street (even when the rewrites are strongly desired).
- c. It is well recognized that a wise balance must be struck between reduction of directives and provision of adequate guidance for improving the acquisition process.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. For each directive which was recommended for change (cancellation, combination, revision, etc.), form a follow-up team from the offices which recommended the change. This team would ensure that pressure is maintained to implement the change recommendation, and would review the draft revisions before promulgation to ensure they accomplish the goal.
2. Establish a small "score-keeping group." Have the group track results only, not intentions or work in progress, on each of the 136 directives, reporting summary results (numerical) in USDRE(AM)'s monthly sitreps, and fingering delinquent directives/offices quarterly in a list appended to the sitrep.
3. DepSecDef issue a procedural directive stating that on 1 July 1982 all DoD acquisition directives dated prior to 1977 are automatically cancelled. All reissuances prior to this terminal date will undergo the normal coordination required for any new directive.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 15. Title: Funding Flexibility

Task Force Principals: LTG J. H. Merryman, USA & Mr. J. W. Melchner

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

1. Transfer Authority. ASD(C), working with the General Counsel, OMB and Congress, establish procedures for DoD approval of the transfer of funds in a given fiscal year from Procurement to RDT&E for an individual weapon system when the Secretary of Defense determines that it is in the National Interest to do so.

2. Reprogramming Thresholds. Renew SecDef/DepSecDef efforts to obtain Congressional committee approval (HASC, SASC, HAC, SAC) to raise reprogramming thresholds from \$2 million to \$10 million for RDT&E appropriations and from \$5 million to \$25 million for procurement.

ACCOMPLISHMENTS TO DATE:

1. Transfer Authority. On August 28, 1981, DepSecDef requested the 4 DoD oversight committees to approve a proposal permitting a notification reprogramming action to the committees on transfers from procurement to R&D where the funds remain within the same program. This would be in lieu of a prior approval reprogramming action which is the current practice. None of the committees has responded to the letter.

2. Reprogramming Thresholds. ASD(C) has written letters to and has had meetings with committee staff directors to press for the requested increases, which are fivefold the current levels. HASC and SASC have approved the requested increases. SAC has approved the increase, but not the levels requested by DoD. The SAC approval is for approximately a threefold increase and included this in its committee report. DepSecDef has written to the HAC on October 26, 1981, reenforcing the ASD(C) discussion with the HAC during hearings on October 7, 1981. To date, HAC has neither responded nor included the item in its committee report. The conferees agreed upon essentially a doubling of the existing reprogramming thresholds in military personnel, procurement, and research, development, test and evaluation areas. No increase to existing thresholds for new starts was granted, and a limitation of only one below threshold reprogramming a year was imposed.

BARRIERS TO IMPLEMENTATION:

1. Transfer Authority. The committees are not focusing on the issues.

2. Reprogramming Thresholds. The committees are not convinced that a fivefold increase is necessary.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. Transfer Authority. Actions must be taken to reemphasize to the committees the need for the transfer flexibility. ASD(C) is attempting to have the conferees consider the change to notification procedures along with the increase to the thresholds (see below). If this is done, then this will become part of item 2 below. If not, then additional actions are needed.

a. Military Departments prepare and submit to OASD(C) examples of how the implementation of this increased flexibility would save funds or improve program management (February 1982).

b. OASD(C) meet with committee staff directors to secure their support for the switch from prior approval to notification actions using the data provided by the Military Departments (March 1982).

c. If OASD(C) actions do not result in a change by early April 1982, SecDef and DepSecDef should arrange personal meetings with committee chairmen to force early action.

2. Reprogramming Thresholds. Given that the conferees partially approved the increased thresholds, actions need to be taken to implement the approved changes and to re-request increases to the threshold.

a. OASD(C) prepare a letter change to the DoDD and DoDI on reprogramming for immediate release to approve the changes agreed to by the conferees. (January 4, 1982).

b. OASD(C) should review reprogramming activity again after 1 year and reapply for increased thresholds. (December 1982).

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 16. Title: Contractor Incentives to Improve Reliability and Support

Task Force Principals: Dr. R. D. Webster & VADM R. R. Monroe, USN

ACTION REQUIRED BY DEPSECDEF MEMO OF APRIL 30:

"USDRE working with the Services, develop guidelines to include the approaches to incentivize contractors to improve support within 60 days, followed by a USDRE and Service evaluation of incentives within the next year. USDRE (lead transferred to MRA&L) develop with the Services, within one year, improved approaches to translate maintenance manpower skill projections into system design objectives."

"Incentives" in this context includes a broad range of approaches to motivate contractors to improve reliability and support (source selection criteria, contract incentive provisions, warranties, contractor maintenance, etc.)

ACCOMPLISHMENTS TO DATE:

1. USDRE memo dated 26 August 1981 provided additional guidelines: (1) "as normal course of action" use source selection and performance clauses as contractor reliability and support incentives unless clearly prohibited by acquisition strategy, (2) evaluate adequacy of policy on incentives using current experience, new trial applications on both source selection and support incentives and include contractor reactions.

2. Numerous actions on-going within the Services. Service procurement managers' approach to this item is to provide a "positive climate" for application of contractor incentives. Although the climate is positive, there is not widespread application (Air Force has widest application).

3. Approaches are being developed leading to an ability to improve the capability to translate maintenance manpower skill projections into design or program requirements. Activities involve:

a. MRA&L/Services have developed front-end logistic support analysis guidelines (Revised MilStd 1388) to identify early ("at the front-end") initial support "drivers" candidates that can be incentivized, and have specifically added approaches to identify skilled manpower and training requirements.

b. DSB study on Operational Readiness for High Performance Systems has reviewed Service suggestions on skilled maintenance manpower strategies and recommend an approach to filling these needs by using contractor support in the mid term and designing away complexity in the longer term.

BARRIERS TO IMPLEMENTATION:

1. Responsibility between procurement, acquisition, support and reliability for being the advocate and having the lead for incorporation of contractor incentives for readiness and support is unclear.
2. Funding for contractor incentives for reliability and support is not receiving appropriate emphasis in program or budget decision.
3. Evaluation of current experience or trial applications (USDRE memorandum August 26, 1981) is not being given emphasis. There exists a general perception within some Services that these contract incentives will not be effective.
4. There is resistance to including in the DoD acquisition policy revision, DoDD 5000.2, the requirements for contractor incentives.
5. There is a general feeling in the procurement community that the initiatives may unduly limit flexibility or cause emphasis on reliability and support out of proportion to the need. Also, there is general concern that establishment of stringent standards for reliability and support may delay production decisions at end of development, when testing discloses significant reliability and support shortfalls.
6. Increased use of contractors either as part of incentive arrangements such as warranties or workarounds (to make up for critical skill shortfalls in the support area) is perceived as an undesirable because of potential for a sole source situation, and because of reduction of in-house capabilities.
7. The need for much wider dissemination, particularly to acquisition managers, of the requirement to consider incentives and to provide training and information for selecting and implementing incentives approaches (the Air Force has the only organized start in this area).

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. Service Material Commands establish senior level (SES/FLAG) group--procurement, support and reliability--to select and establish implementation approach on each major weapon program at all Milestones. In addition they should evaluate experience on recent programs as outlined in the 26 August memorandum.
2. USDRE (Acquisition Management) review acquisition strategies in early program documentation for adequate funding for incentives and approaches to incentivizing support and readiness. This should be combined with a review of approaches to managing unit cost because of strong interactions.
3. Establish, at Milestones I and II, highly visible reliability and support thresholds for demonstration through test and evaluation prior to production decisions.
4. In the revision of DoDI 5000.2 include policy guidance on the use of contractor incentives, responsibility for selection, and funding.

5. Establish a group, under JLC, to identify or develop contractor incentives approaches for support, particularly emphasizing incentives for support cost reduction. USDRE action to determine approach in 60 days.

6. Publish the 26 August memorandum on "Incentives" in the Federal Register.

7. Revise DoD Directive on Maintenance Policy (4151.1) to open the way for wider application of contractor support using appropriate incentives particularly in the area of high technology and for on-coming critical DoD skill shortfalls. MRA&L draft revision for comment in 120 days.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 17. Title: Decrease DSARC Briefing and Data Requirements

Task Force Principals: LTG J. H. Merryman, USA & Mr. J. W. Melchner

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

USDR&E make explicit the changed character and the reduced number of briefings and data for the DSARC review.

ACCOMPLISHMENTS TO DATE:

1. DoD Directive 5000.1 has been revised and is scheduled to be published by December 31, 1981.

2. DoD Instruction 5000.2 draft No. 4 is being prepared. This revision will eliminate the following documentation and DSARC briefings:

a. Integrated Program Summary requirement was eliminated at Milestone I review and was reduced for the Milestone II review.

b. Other OSD information requirements were reduced for various decision points (Enclosure).

3. Services have initiated the following actions:

a. Army - All changes are being reflected in revised drafts of AR 1000-1 and AR 15-14, to be staffed when DoDI 5000.2 goes to printer. ASARCs replaced by Army programs reviews in selected cases.

b. Navy - DNSARC pre-briefs combined. All NAVMAT reviews are combined into a single NMC review. OPNAV note of 9 Jun reduces NDCP requirement and condenses format of other documents. SECNAV 5000.1 and OPNAV 5000.42 under revision.

c. Air Force - Developing changes to SPR/CAR/MAR. Will send policy letter to field. Updating AFR 800-2.

BARRIERS TO IMPLEMENTATION:

1. There is an apparent conflict with other elements of the Acquisition Improvement Program which require additional data to demonstrate compliance.

2. DoD Instruction 5000.2 is needed for Service implementation.

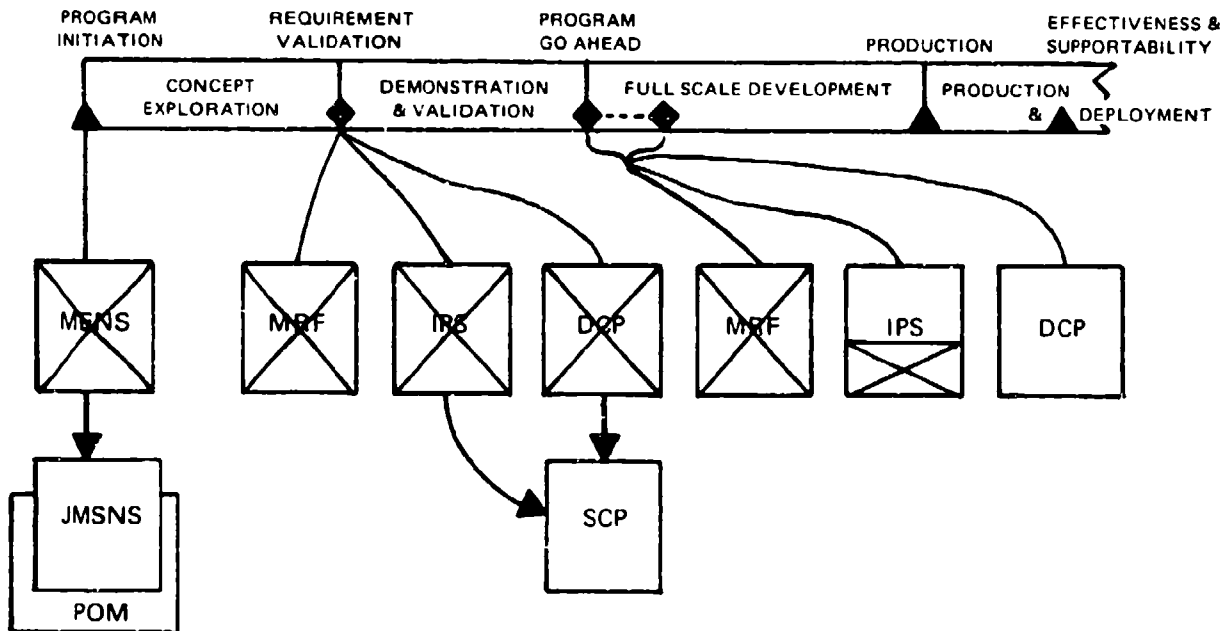
3. Services need to formalize procedures for assuming the delegated responsibilities. The role of Project Managers must be clearly established vis-a-vis the acquiring Service hierarchy.

4. Specific guidance on format and content of programs reviews is needed.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. Ensure issuance of DoD Directive 5000.1, USDR&E by December 31, 1981.
2. Issue DoD Instruction 5000.2, USDR&E by March 1, 1982.
3. Services and OSD must officially take action to reduce the time and effort required by DSARC and Service major systems reviews. Services must publish implementing instructions not later than 120 days after issuance of DoD Instruction 5000.2.
4. OSD should continue follow-up actions to ensure implementation.
 - a. Include Service participation in all policy development.
 - b. Re-establish use of Steering Group for review of monthly report to DepSecDef.
 - c. Publish specific guidance on format and content of program reviews.
 - d. Identify specific data and briefing requirements reduced.
 - e. Decrease number of Service SARCs.
 - f. Review dollar threshold for consideration of level of review for programs within the Service.
 - g. Reduce or consolidate the briefings that PMs give at Service and major command level.
 - h. Identify specific information requirements eliminated.
5. Although DoDD 5000.1 and DoDI 5000.2 have not yet been published, there are many things which the Services can do without waiting for those official publications. The Services should take appropriate action now to decrease internal data and briefing requirements.

DSARC INFORMATION REQUIREMENTS



The thrust of Action 17 is to significantly reduce the amount of paper work required for a typical DSARC review; interim guidance was published in a 14 July 1981 USDRE Memorandum. As suggested by this chart, the Milestone Reference File (MRF) has been eliminated for all DSARC reviews. In addition, the Integrated Program Summary (IPS) has been eliminated for the Requirement Validation review; this action will, of course, require that the System Concept Paper (SCP—an augmented Decision Coordinating Paper (DCP) contain complete cost information on the alternatives to be considered. The Under Secretary of Defense for Research and Engineering is also examining the possibility of shortening the IPS for the Program Go-Ahead review scheduled to be held at the OSD.

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ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 18. Title: Budgeting for Inflation

Task Force Principals: Mr. J. T. Kammerer & Mr. J. E. Williams

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

Comptroller and PA&E develop in more detail the various alternatives addressing the inflation issue as related to planning and budgeting for major acquisition programs and provide a decision paper to the Deputy Secretary of Defense within 30 days; discuss draft options with OMB and appropriate Congressional staff.

ACCOMPLISHMENTS TO DATE:

Required decision paper sent to Director, OMB by Secretary of Defense (6 Aug 81); OMB, DOD, congressional staff discussions held. Answer pending from Director, OMB. Selected staff elements, material commands, and program offices sounded out on feasibility of design and construction of an output oriented major weapons system price index for support of budget submission and funding of "retrograde effect" during budget execution.

BARRIERS TO IMPLEMENTATION:

Primarily national in scope, that is ultimately a decision between White House, Director, OMB, and SecDef. Until an agreement is reached on budgeting for inflation more realistically, unbudgeted inflation will continue to cause massive program instability and perceived cost growth.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

Another staff (OSD(C), PA&E) effort to be made during December budget phase to move the issue forward in OMB National Security Directorate and Economics Review Division. Although initial discussions have been held with OMB, the Task Force recommends that the Department adopt a strong position on this issue and aggressively pursue the matter further. Further contact with Congress awaits development of an Administration position. Anticipate a January follow-on contract effort to sample stable, in-production major weapons systems to establish feasibility and scope of effort to construct a major weapons system price index. On site contractor work is anticipated.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 19. Title: Forecasting of Business Base Conditions at Major Defense Plants

Task Force Principals: Mr. T. P. Christie & BG C. F. Drenz, USA

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

"Contract Administration functions will be directed to maintain a business base projection and government offices will be directed to support this effort and utilize these data in planning and budgeting. The OSD Cost Analysis and Improvement Group (CAIG) will maintain a data exchange for the Services to assist in approved forecasting."

ACCOMPLISHMENTS TO DATE:

1. DUSD(AM) issued instructions to the Services and DLA on 1 June 1981. These instructions directed contract administration functions to maintain a business base projection at each major defense plant. It further directed program offices to provide program projections to plant representatives.
2. DLA issued an implementing letter on 17 June 1981. Army identified Hughes Helicopter (Venice), Bell Helicopter (Ft. Worth) and Boeing Vertol (Philadelphia) as their cognizant major plants. A semi-annual reporting requirement was established.
3. Air Force instructions were issued 1 October 1981. The instructions apply to programs exceeding \$10M in any plant with a DoD plant representative. Five years of projections are to be made.
4. Navy instructions were issued 23 October 1981, and were similar to the Air Force guidance.
5. CAIG representative met with USDRE and Service points of contact to clarify intent of initiative on 30 Nov 81.
6. CAIG representative met with Service representatives on 24 Nov 81 to decide (1) what implementing instructions are needed to satisfy the intent of the initiative and (2) what instructions will achieve a realistic, workable program.
7. The Cost & Economic Analysis Office, DPA&E, has developed the Defense Economic Impact Modeling System (DEIMS) for use by industry to aid business forecasts. The model is currently available for use.
8. OSD CAIG provided DUSD(AM) a list of plants for reporting purposes, definitive reporting requirements and reporting schedule on 4 Dec 81.
9. DUSD(AM) provided reporting requirements to Services on 15 Dec 81.

BARRIERS TO IMPLEMENTATION: None

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE.

By 30 Apr 1982, Services and DLA forward first forecasts to CAIG.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 20. Title: Improve the Source Selection Process

Task Force Principals: Mr. J. E. Williams & Mr. J. T. Kammerer

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

1. Modify DODD 4105.62 to emphasize objectives, e.g., past performance, schedule realism, facilitization and cost credibility.
2. Establish a DoD system for recording, documenting and sharing contractor performance.

ACCOMPLISHMENTS TO DATE:

1. An interim report on DODD 4105.62 was prepared and reviewed by OSD and the Services.
2. An Ad Hoc group (Army, Navy, Air Force and OSD) evaluated the recommendation to establish a new DoD system to provide contractor performance information. This group unanimously suggested to DUSD(AM) that a new system was unnecessary.

BARRIERS TO IMPLEMENTATION:

1. The greatest barrier to implementation of an effective system is the lack of understanding of what is required to fully implement this initiative.
2. A second barrier is each Service's opinion that in-being Service systems fulfill the requirement. They do not.
3. Another obstacle is the fact that this initiative has been interpreted as requiring a centralized, DoD data base of contractor past performance. The Task Force disagrees with this interpretation and recommends that the solution be based on the individual systems already being implemented by the Services, although modifications to these systems will be required.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. The Ad Hoc group (Army, Navy, Air Force and OSD) should define and describe by March 1, 1982 the requirements for methods of recording, documenting, and sharing contractor performance. These requirements should include individual Service systems designed to specific criteria and coordinated by OSD.
2. USDRE provide "For Coordination" draft of DoDD 4105.62 to the Services for review and comment by 1 April 1982.
3. DepSecDef issue DODD 4105.62 by 1 July 1982. Emphasis will be on past performance, schedule realism, and selection of contractor who appears to have highest probability of meeting requirements. Importance of lowest proposed cost will be de-emphasized.
4. Services revise implementing regulations: AFR 70-15, AR 715-6, and NAVMATINST 4200.49 within 90 days of issue date of DODD 4105.62, thereby closing this action.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 21. Title: Develop and Use Standard Operational and Support Systems

Task Force Principals: Dr. R. D. Webster & VADM R. R. Monroe, USA

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

Develop and use standard operational and support systems. More specifically, this means institutionalizing an effective means for the identification and approval of candidate RDT&E programs which are ultimately produced and implemented as standard (common) hardware (e.g., subsystems, major components, and support systems) in major weapon systems.

ACCOMPLISHMENTS TO DATE:

OSD developed a three phase action plan. Phase 1 (Near Term--OSD select on-going RDT&E programs for standardization) has not yet resulted in substantial changes to Service standardization plans. Phase 2 (Mid Term--Services nominate candidate RDT&E programs) has gotten a very positive response from the Joint Services Review Committee (JSRC) for 5 proposed tri-service avionics standardization programs. The JSRC efforts need additional "seed money" to get started. Non-avionics subsystems (support and test equipment, mechanical systems, etc.) have no organization comparable to the JSRC, and consequently are lagging in implementation of this initiative. Phase 3 (Longer Term - Improvements in policies, procedures, organizations) was initiated at the 3-5 November 1981 DoD Standardization Seminar. An implementation plan was developed, and a number of actions are underway. These actions will require a year or more to take full effect.

BARRIERS TO IMPLEMENTATION:

The most critical problem is advocacy within the weapon system community. When the Services and OSD establish priorities during the POM cycle, the hardware and support systems standardization efforts evolve as very low priority programs and simply never get supported. Examples of this may be found in: (1) B-1 (where the preferred avionics standards may not get implemented); (2) the MATE program (where funds are being deferred by OSD); and (3) the five avionics standardization programs recommended by the JSRC (all with significant potential cost avoidance savings, but inadequate funding).

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. Serious consideration must be given to the following possible actions:

a. Continue to vigorously support the Recommendation 21 action plan. A memo from USDRE should tell the Services to approve and fund the five avionics standardization programs recommended by the JSRC (OUSDRE-OASD(MRA&L))-JSRC meeting, 4 Dec 81). This will give evidence that we support these materiel standardization programs.

b. USDRE, MRA&L, and the Services should convene a panel on support and test equipment to review Service management approaches and RDT&E efforts for development of standard support systems, and to develop a recommended DoD program.

c. USDRE should convene a meeting of the Defense Specifications and Standards Board (DSSB) by 29 Jan 82 to address FY 82 Standardization Program Guidance. At this time, a JSRC for ground support equipment should be initiated.

d. Seriously address the deficiencies in management, acquisition policy, standardization, organization and operational requirement areas identified at the November DoD Standardization Seminar. USDRE develop a Service coordination action plan to resolve every major issue. The Services should develop standardization program plans which should be phased and support the OSD action plan.

e. USDRE and the Services should each designate advocates for each of the standardization areas, along with funding responsibilities.

2. Because unanimity does not exist at this time on how to proceed, the Ad Hoc committee under the Steering Group should further examine this issue.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 22. Title: Design to Cost Contract Incentives

Task Force Principals: Mr. T. P. Christie & BG C. F. Drenz, USA

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

DoD will "provide appropriate incentives to industry by associating fee awards to actual costs achieved during the early production runs." DoD will "insure program managers and contracting officers develop contract terms and procedures to provide for the payment of Design to Cost (DTC) awards and incentives based on "evidence during early production runs that Design to Cost goals are being achieved."

ACCOMPLISHMENTS TO DATE:

1. A Tri-Service/OSD group, meeting over a four month period, developed the necessary guidance to implement the DepSecDef decision, and initiated the revision of appropriate documents.
2. USDRE issued interim guidance on 3 December 1981 to the Services, DCA, and DLA, outlining procedures for rewarding contractors who demonstrate that they have achieved DTC requirements and for penalizing those who do not.
3. DoDD 5000.28, Design to Cost, has been revised to incorporate this guidance and as soon as DoDD 5000.1 and DoDI 5000.2 have been coordinated and reissued, DoDD 5000.28 will also be coordinated and reissued.
4. The Defense Acquisition Regulation (DAR) is being revised accordingly.
5. A Design to Cost Military Standard is in preparation.
6. The Joint Logistics Commanders DTC Guide is to be updated.

BARRIERS TO IMPLEMENTATION:

Lack of issuance of DoDD 5000.1 and DoDI 5000.2.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. By March 30, 1982, USDRE issue revised DoDD 5000.28, Design to Cost, incorporating DTC contract incentives guidance.
2. By July 31, 1982, DAR council revise and reissue regulation on DTC contractual requirements.
3. By September 30, 1982, Air Force prepare, coordinate and issue DTC Military Standard.
4. By December 31, 1982, Air Force update, coordinate and issue Joint Logistics Commanders DTC Guide.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 23. Title: Implementation of DoD Acquisition Improvement Program

Task Force Principals: Mr. W. A. Long

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

1. Assign overall responsibility to USDRE for monitoring and follow-up of all decisions made in this report.
2. USDRE will assign a prime responsibility for action on every recommendation and decision in this report. In general, these assignments have been specified under the "Action Required" sections; however, in certain cases specific action responsibilities will be defined in the immediate future.
3. USDRE should consider utilizing a working group containing OSD and Service representatives to assist in implementation.
4. USDRE should consider utilizing a number of creative techniques to translate the intent of these recommendations to all levels. This could include formal training sessions, conferences, videotaped training films, articles, and policy letters.
5. Both the SecDef and the DepSecDef must maintain a personal interest in ensuring that the changes are implemented, that there is continuous action to improve the acquisition process, that periodic reviews take place, and that all Services and OSD staff be made aware of the SecDef priority interest on this subject.

ACCOMPLISHMENTS TO DATE:

1. The memorandum of April 30, 1981 assigned USDRE responsibility for follow-up and ensuring implementation. During May 1981, USDRE assigned DUSD(AM) as the principal action officer for the implementation effort. An Acquisition Improvement Program Steering Group was assembled at the three-star (or equivalent) level representing the Services, MRA&L, ASD(C), and PA&E. Working teams were designated, responsibilities were assigned, and the Acquisition Improvement Effort Implementation Plan was approved. USDRE action offices were assigned for each program decision.
2. The Acquisition Improvement Program Steering Group met regularly and provided a monthly status report for the period May to September 1981 to DepSecDef on the implementation of each program decision.
3. On November 17, 1981, the DepSecDef directed the Council on Integrity and Management Improvement to establish a Task Force on Acquisition Improvement. On November 19, 1981, the USDRE met with Task force members representing the Services and OSD. Upon approval of the Task Force Final Report, the Steering Group will assume responsibility for assessing progress and ensuring implementation.

4. Numerous briefings, speeches, articles, testimony, and official actions have occurred in order to give the program the widest possible dissemination. Briefings have been provided to the Investigation Subcommittee of the HASC, and to GAO and OFPP senior officials. Major industrial associations, such as NSIA, ADPA, AIAA, have been briefed. Other organizations including the National Institute for Management Research and the National Contract Management Association have also received presentations. Many prime and subcontractors have received the word through these conferences as well as through a special conference recently held in Pittsburgh. Articles have appeared in Government Executive, Defense 81, and Concepts magazines on the Acquisition Improvement Program. Sections on the program are also included in this year's SecDef and USDRE Posture Statements. Congressional testimony on the subject has been heard by various subcommittees of the HASC, the HAC, and the Senate and House Committees on Governmental Affairs.

5. The "word" has been promulgated to members of the Services through official channels, as well as through briefings, and educational programs. The new management principles have been incorporated into the course work offered by the Defense Systems Management College. The College has also prepared a briefing on the Acquisition Improvement Program which has been provided at numerous military commands.

BARRIERS TO IMPLEMENTATION: None.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

See Task Force Final Report cover letter recommendations, and the specific recommendations throughout this report.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 24. Title: Decision Milestones

Task Force Principals: VADM R. R. Monroe, USN & Dr. R. D. Webster

ACTION REQUIRED BY DEPSECDEF MEMO OF 30 APRIL:

"USDRE revise DoDD 5000.1/DoDI 5000.2 appropriate to alternatives selected.

ACCOMPLISHMENTS TO DATE.

A draft of DoDD 5000.1 was circulated on 22 September. All comments have now been received by USDRE and consolidation of comments is now in process. A draft of DoDI 5000.2 is being prepared in USDRE for coordination.

BARRIERS TO IMPLEMENTATION.

This initiative has been difficult to implement because the 30 April decision paper contained none of the in-depth structuring and integration necessary to incorporate the decision into the complex acquisition process. In particular, three aspects have been difficult to define: (a) The relationship between these new DSARC decision points and the actual program milestones (e.g., the start of full-scale development); (b) the relationship between these new DSARC decision points and the Service decision points in a major program; and (c) the relationship between the new DSARC decision points and the Service decision points in less-than-major programs.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. Recent Action: Essential agreement was reached on all major outstanding 5000.1 issues at an OSD/Tri-Service meeting on 4 December. USDRE has circulated revised pages 5-7 of DoD Directive 5000.1, putting these agreements into words, for review by Service representatives. A final draft of these key pages should be agreed to within a few days.

2. Future Action: To ensure timely resolution of any remaining issues in 5000.1, and to expedite processing of 5000.2, it is essential that we engage high-level decision-makers in in-depth resolution of the different views. A small, high-level group (4 or 5 individuals, generally at the three-star or DUSD/DASD level)--one from each Service and one or two from OSD, each with broad authority to speak for his organization--will engage in a series of meetings to resolve issues. The group members themselves will get involved in the actual drafting of language on the difficult points. Meetings will be held at least once a week to allow rapid resolution while still permitting expedited internal review within parent organizations between meetings. DoDD 5000.1 should require only a single meeting before issuance.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 25. Title: Mission Element Need Statement (MENS)
in the POM

Task Force Principals: LTG J. H. Merryman, USA & J. W. Melchner

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

USDRE revise DoDD 5000.1 and DoDI 5000.2 to require submission of a MENS (shortened or as currently required) no later than Service POM, thus linking the acquisition and PPBS processes. SecDef approval of MENS would be by accepting POM in absence of specific disapproval.

ACCOMPLISHMENT TO DATE:

1. DoDD 5000.1 has been revised and will be published by December 31, 1981.
2. DoDI 5000.2 Draft No. 4 is being prepared. This revision will require a Justification for Major System New Start (JMSNS) in lieu of a MENS which must be submitted not later than the POM submission.
3. Services have initiated the following actions:
 - a. Army, Navy and Air Force are concurrently preparing implementing regulations.
 - b. Army is changing title and reducing content of three MENS in process. A draft Letter of Instruction (LOI) for JMSNS is being prepared. AR 71-9 is being revised. Awaiting final format in DODI 5000.2.
 - c. Navy has replaced MENS with JMSNS. Awaiting final format in DODI 5000.2.
 - d. Air Force issued preliminary guidance on process in August 1981. Progress on DoD directive being monitored. Draft revision of AFR 57-1 expected to be issued by March 1982.

BARRIERS TO IMPLEMENTATION:

1. DoDI 5000.2 is needed for Service implementation.
2. A barrier to linking the PPBS and DSARC processes may have existed in POM 83; however this barrier is considered by OSD to have been corrected by follow on actions currently in process, under the DRB/POM review process and development of the DG for POM 84 (see Initiatives 1 and 29). POM 83 did not include identification of any major system new starts. Several MENS had been submitted to OSD for review in accordance with the March 1980 DODI 5000.2.
3. OSD staff reviewed POM 83 and identified potential new starts. USDRE requested additional information on these. Based on Service responses, a list of

new starts was determined and an issue paper was prepared for the DRB. The DRB reviewed the new starts for POM 83 and a memo for the Service Secretaries has been prepared to document the DRB decision on new starts.

4. The process used in POM 83 has worked and is now being described in the revised DCDI 5000.2. Therefore, although there may have been a barrier to implementation in the POM 83 review due to an absence of new starts identification, both the Defense Guidance and the revised DODI 5000.2 will be available to the Services to clarify requirements for POM 84.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. Issue DoDI 5000.2, USDRE by March 1, 1982.
2. In the DG for POM 84, establish a precise definition for a major system new start which should be accompanied by a JMSNS, DPA&E by January 31, 1982.
3. Services must clearly identify major system new starts in their POM 84 submissions in May 1982 to be accompanied by JMSNSs. The related JMSNSs should be submitted to the DAE as early as possible to facilitate the POM review, however, they are not required before the POM submission.
4. Establish format of JMSNS as being identical to that requested by USDRE in his letter of 9 July 1981 on justification of major system new starts.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 26. Title: DSARC Membership

Task Force Principals: Mr. W. A. Long

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

Appropriate Service Secretary or Service Chief be included as full member of the DSARC.

ACCOMPLISHMENTS TO DATE:

Implemented as of April 30, 1981, in each DSARC level meeting.

BARRIERS TO IMPLEMENTATION: None.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

None. This initiative requires no further review.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 27. Title: Acquisition Executive

Task Force Principals: Mr. W. A. Long

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

Retain USDRE as Defense Acquisition Executive.

ACCOMPLISHMENTS TO DATE:

Implemented as of April 30, 1981, in each DSARC level meeting.

BARRIERS TO IMPLEMENTATION: None.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

None. This initiative requires no further review.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 28. Title: What Should be the Criterion for Systems
Reviewed by DSARC

Task Force Principals: VADM R. R. Monroe, USN & Dr. R. D. Webster

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

"USDRE revise DoDD 5000.1/DoDI 5000.2."

ACCOMPLISHMENTS TO DATE:

1. Draft revisions of DoDD 5000.1 and DoDI 5000.2 include the new threshold.
2. Services are changing their instructions to be compatible with the new DoDD 5000.1/DoDI 5000.2.
3. USDRE memo of 10 Jun 1981, "Withdrawal of Major System Designation," delegated ten major systems now to be the responsibility of the Services.

BARRIERS TO IMPLEMENTATION: None.

RECOMMENDED ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

In addition to the changes made to date, one procedural improvement should be incorporated. DoDD 5000.1/DoDI 5000.2 should contain specific reference to the fact that, prior to SecDef's designating a system as major, a Service-USDRE dialogue should develop the pros and cons, etc., of such designation.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 29. Title: How Should the DSARC/PPBS Decision Be Integrated?*

Task Force Principals: Mr. J. E. Williams, and Mr. J. T. Kammerer

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

Programs reviewed by DSARC will assure their affordability by demonstrating that resources are programmed in the FYDP and EPA to execute the program as recommended. DSARC review should certify program ready to proceed to the next acquisition stage.

ACCOMPLISHMENTS TO DATE:

1. DoDD 5000.1 and DoDI 5000.2, dated March 19, 1980, contain policies on affordability which state that a program should not be approved at a DSARC milestone to pass into the next phase unless sufficient funding is contained in the FYDP and EPA to execute the program as recommended, or unless the Service can identify sufficient sources of additional funds to adequately budget the program. Decision Coordinating Papers prepared for DSARCs now contain a resource annex which illustrates the funding required for the recommended course of action compared to the funding contained in the FYDP and EPA. Affordability issues are therefore brought to the attention of the DSARC.
2. Milestone "O" and the MENS process are being integrated into the PPBS, and the Services maintain they have in the past and are continuing to manage investment in new starts in a manner which is accountable to decisions which alter funding in major systems. Actually, too few DSARCs have been held since April to demonstrate whether a significant improvement in this direction has occurred.
3. USDRE is concerned over the attention given to reviewing new starts to date and has gotten DRB approval to extend this effort to the ongoing budget review.
4. The Army believes there is confusion and conflict over what defines a new start. The development and production of a new system is a continuous process which ties together virtually all facets of the Army. The PPBS and DSARC process are snap shots either of the whole investment at a given time or of one system from that investment listing. A number of different sets of rules must dovetail, and not infrequently the dominant set of rules places one or another system in a category which does not accurately represent the system(s). One example of such a misfit is the disagreement which occurs over whether or not a requirements document is required or should have been completed.

* Note: The subjects of DSARC and PPBS are very broad and covered by a number of specific initiatives. This section of the report covers only those matters pertaining to new starts and the funding of programs at the time of DSARCs and program reviews.

5. Navy agrees with Army that a serious definitional problem exists over what is a new start. In particular, if a potential new program is funded in the outyears, without budget year funding, they propose that it not be considered a new start at that time.

BARRIERS TO IMPLEMENTATION:

1. The principal barrier to implementation is the frequent need to provide additional funding (above the FYDP and EPA) to properly execute the program when it passes into the next phase. DSARC meetings are sometimes held with the subject program not being adequately funded in the FYDP and EPA.

2. The biggest barrier to implementation remains the differences between OSD and the Services on the definition of new starts, particularly in the case of outyear programs.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. DSARCs and Program Reviews will not be held unless the programs are fully funded in the FYDP and the EPA, and, if cost growth has occurred, the issuance of additional funds is identified.

2. The USDRE and the Military Department Acquisition Assistant Secretaries should resolve all new start definitional and procedural problems by 29 January 1981.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 30. Title: Program Manager Control Over Logistics and Support Resources

Task Force Principals: Dr. R. D. Webster & VADM R. R. Monroe, USN

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

The decision was to "have Services submit, with the POM, support resource requirements and readiness objectives by weapon system, for systems entering or in early production. Direct OSD to have a single review of support associated with individual systems." It also required the Services to develop procedures that would "give the Program Manager a voice in the support resource allocation and budget execution process through increased and centralized resource visibility and coordination by the PM on changes to his plans." Action required was "ASD(MRA&L) letter to Services stating objectives. ASD(MRA&L) work with the Services to define and evaluate implementing options. Initial letter can be prepared within 30 days."

This initiative is a cornerstone in the implementation of the management principles (Initiative No. 1) on improving readiness and delegating authority.

ACCOMPLISHMENTS TO DATE:

1. An ASD(C)/MRA&L memo was signed June 1, 1981, requiring:

a. The Services to develop procedures giving the program manager better visibility of weapon system support resources in POM and budget preparation, and a greater voice in budget execution; and

b. OSD and the Services to develop procedures for PPBS reviews of selected weapons so that support resource decisions are made in a more integrated manner, with visibility of the effects on weapon system support schedules and readiness objectives.

2. An OSD/Service Steering Group and working group have been established to oversee implementation. Each Service has briefed its plans for substantial changes in internal PPBS procedures to improve the visibility of weapon system support resources. The Army and Navy have shown preliminary results. Expanded application of the new Service procedures is planned in POM 84 development.

3. The joint working group developed procedures for a trial FY 83 OSD budget review of support for six weapon systems. The trial is proceeding on 4 of the 6 (M-1 tank, AAH, F-18, and AEGIS). The ability to track a significant number of weapon system support elements and to identify shortfalls has already been demonstrated. A schedule has been established for OSD and the Services to evaluate the results of the trial budget review by March 1982, and to develop criteria and procedures for a trial OSD POM review of support resources for selected systems. LMI has been tasked to assist in the effort.

BARRIERS TO IMPLEMENTATION:

1. Misinterpretation of the intent of this initiative has been a barrier. The title of the initiative should be changed to more clearly reflect the decision. (The recommendation is "Management of Initial Support Funding for Major Systems"). It is intended that PM's be given increased coordination, but not necessarily direct control, over support resources. It is also intended that the Services retain the flexibility to apply support resources where they are determined to be most needed in the execution phase, but to keep the PM informed and involved in the process.

2. Service concerns over the potential for OSD over-management have also been barriers to implementation. The decision is clear in requiring improved visibility of weapon system support resources and readiness objectives in PPBS reviews. To remove the barrier, it is important that the visibility and review process be structured to support the intent of achieving advocacy and support of resources needed to meet readiness objectives, rather than for fine tuning.

3. A few of the funding categories that affect weapon system support are not easily identifiable or allocatable to specific weapon systems, and yet may have a large effect on system readiness (e.g., "common spares"). The on-going trial budget review will provide a better perspective on whether further changes to OSD and Service accounting procedures should be considered.

SPECIFIC ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

The plan originally approved by the Joint Steering Group, to implement changes to Service and OSD PPBS procedures and Service budget execution procedures within a year, should be pursued to completion. Specifically:

a. The current trial budget review should be completed and evaluated as planned. MRA&L, with assistance from the Initiative 30 Steering Group and LMI, should produce an evaluation report by early March, 1982.

b. MRA&L and the Services should, by late March, develop implementing options for program review procedures based on review of Service internal plans and results of the trial budget review. ASD(MRA&L) and ASD(C) should forward trial program review procedures to the Services by mid-April, 1982, for use in the trial review.

c. The Services should, by April 1982, present to the Joint Steering Group their proposed internal procedures for increased PM involvement in budget execution. Service budget execution procedures should be implemented on a trial basis by June 1982.

d. MRA&L, with assistance from the Joint Steering Group and LMI, should evaluate the results of the trial review and recommend procedures for long term implementation by September 1982.

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 31. Title: Improve Reliability and Support

Included in discussion of Initiative No. 9: Improve Support and Readiness

ACQUISITION IMPROVEMENT TASK FORCE

Report on Initiative No. 32. Title: Increase Competition in the Acquisition Process

Task Force Principals: BG C. F. Drenz, USA & Mr. T. P. Christie

ACTION REQUIRED BY DEPSECDEF MEMORANDUM OF APRIL 30:

1. This initiative was added to DepSecDef April 30 memorandum by a subsequent memorandum of July 27.
2. The memorandum required action to direct acquisition management organizations to establish management objectives that would enhance competition.

ACCOMPLISHMENTS TO DATE:

1. The Military Services and Defense Agencies responded in positive fashion to DepSecDef 27 July memorandum.
2. Based on objectives submitted, on 10 November 1981 OUSDRE issued a second memorandum to the Military Services and Defense Agencies which tasked them to:
 - a. Designate advocates for competition at each procuring activity;
 - b. Establish goals for increasing competition;
 - c. Ensure commanders understand their responsibilities with regard to competition;
 - d. Make competition a matter of special interest; and
 - e. Develop procedures to identify and elevate significant achievements.

Reports on plans to implement are due to USDRE in January 1982.

3. USDRE has engaged Logistics Management Institute (LMI) to conduct a study to determine those commodities/programs offering the greatest opportunity for increased competition and those commodities/programs offering little or no opportunities for increased competition (e.g., nuclear aircraft carriers). The target date for completion of the study is 30 June 1982.
4. At the direction of DUSD(AM), DAR coverage for the Spare Parts Breakout Program is being developed by an ad hoc committee chaired by the Army.

BARRIERS TO IMPLEMENTATION:

1. Identification of those commodities/programs offering the greatest potential for increased competition as compared to those commodities/programs offering little or no realistic opportunities for increased competition (e.g., prime contracts for nuclear aircraft carriers). Recent program reviews have demonstrated that there are extra near term costs associated with additional contractors in a hardware phase "fly off" when the program more appropriately lends itself to a less expensive competitive approach.
2. Military Service/Defense Agency commitment of adequate resources to develop additional qualified sources for supplies and services.
3. Perception in some segments of private industry and the DoD technical community that this initiative may result in competing contracts without properly weighing the risk to successful program completion.

RECOMMENDED ACTIONS TO ENSURE IMPLEMENTATION AND IMPLEMENTATION SCHEDULE:

1. By 10 January 1982, Military Services/Defense Agencies provide OUSDRE plans to comply with direction contained in USDRE 10 November memorandum.
2. DUSD(AM) in January review Military Service and Defense Agency plans for implementation of USDRE 10 November memorandum to ensure compliance with intent.
3. DUSD(AM) follow-up with Military Services and Defense Agencies in June 1982 to ensure plans submitted have been implemented.
4. DUSD(AM) consider program to place special emphasis on those commodities/programs identified by LMI as offering the greatest opportunity for increased competition.
5. DUSD(AM) consider feasibility of increasing the extent of competition in subcontracting.
6. DUSD(AM), concurrent with review discussed in 2 above, review Military Service/Defense Agency implementation of plans to meet objectives they established in responses to DepSecDef 27 July memorandum.
7. DUSD(AM), based on results of LMI study, determine where development of additional sources is cost-effective.
8. DUSD(AM) consider developing policy that will enable DoD to emphasize the benefits of expanded competition based on factors other than price, e.g., total cost of ownership, best value to the Government over the life cycle, technical factors, delivery, etc.